

**Philadelphia Gas Works**

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May 31, 2007

**VIA EXPRESS MAIL**

James J. McNulty  
Secretary  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

R-00061296

Re: Pa. PUC v. Philadelphia Gas Works; R-00061296,  
June 1, 2007 Third Quarterly GCR Filing

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of PGW's June 1, 2007 Quarterly Gas Cost Rate ("GCR") filing. If you have any questions, please contact me.

Respectfully submitted,

Gregory J. Stunder

Enclosures

cc: All Parties of Record  
Karen Moury, Esq.  
Kerry Klinefelter

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Statement

R-00061296

Known per dekatherm natural gas prices are used through the month of May 2007. Where known and quantifiable, actual per dekatherm prices for locked-in quantities of gas are used for all other months. Any remaining volumes not locked-in for price for the months of June 2007 through August 2007 are based on the NYMEX Futures Closing Prices of 5-1-07. For the period of September 2007 through May 2008, the average price of the NYMEX Futures Closing Prices of 5-1-07 and the May 2007 Global Insight Forecast were used. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal (i.e. the forecast incorporates the normal 4,510 degree-day pattern).

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JUNE 1, 2007

3rd QUARTER GCR FILING

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**Philadelphia Gas Works**  
**Levelized Gas Cost Rate**  
**3rd Quarter Filing June 1, 2007**

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Formula:  
**GCR = SSC + GAC - IRC**

where:

	<u>Demand</u>	<u>Commodity</u>	<u>Total</u>
<b>S = Firm Sales (Mcf)</b>			51,984,437 (Schedule 2)
<b>Net Natural Gas Expense</b>	\$ 74,214,875	\$ 518,700,702	\$ 592,915,577
<b>Purchased Electric Expense</b>	\$ 0	\$ 1,116,900	\$ 1,116,900
<b>C = Total Applicable GCR Expense</b>	\$ 74,214,875	\$ 519,817,602	\$ 594,032,477 (Schedule 3)
<b>SSC = C / S</b>	\$ 1.4276	\$ 9.9995	\$ 11.4271
<b>Adjustment For:</b>			
<b>Prior Reconciliation</b>	\$ 11,799,179	\$ (41,088,558)	\$ (29,289,379)
<b>E = Adjustments to GCR Expenses</b>	\$ 11,799,179	\$ (41,088,558)	\$ (29,289,379) (Schedule 4)
<b>GAC = E / S</b>	\$ 0.2270	\$ (0.7904)	\$ (0.5634)
<b>Interruptible Revenue Credit</b>			\$ 7,430,818 (Schedule 4)
<b>IRC = Interruptible Revenue Credit / S</b>			\$ 0.1429
<b>Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit</b>			\$ 557,312,280
<b>GCR = SSC + GAC - IRC</b>			\$ 10.7208
<b>SSC in effect 6/01/07</b>	\$ 1.4282	\$ 10.0036	\$ 11.4318
<b>GAC in effect 6/01/07</b>	\$ 0.2271	\$ (0.7907)	\$ (0.5637)
<b>IRC in effect 6/01/07</b>			\$ (0.1430)
<b>GCR in effect 6/01/07</b>			\$ 10.7251 (Schedule 6)
<b>Recovery Test on:</b>			
<b>Firm Sales (Mcf)</b>			51,984,437
<b>= Total Projected Recovery</b>			\$ 557,310,385 (Schedule 6)
<b>Compared To</b>			
<b>Net Applicable GCR Expenses</b>			\$ 557,312,280
<b>= Net Over/(Under) Recovery</b>			\$ (1,895) (Schedule 4)
<b>Degree Days</b>			4,510

## SALES & VOLUMES

June 2007 Through May 2008

<u>MONTH</u>	<u>TOTAL VOLUMES</u>	<u>FIRM TRANSPORT VOLUMES</u>	<u>TOTAL BILLED SALES</u>	<u>INTERRUPTIBLE SALES</u>	<u>TOTAL FIRM SALES</u>	<u>SENIOR CITIZEN DISCOUNT SALES</u>	<u>TOTAL APPLICABLE VOLUMES</u>
JUNE 2007	1,667,252	44,590	1,622,663	57,963	1,564,700	18,796	1,590,493
JULY	1,378,700	44,340	1,334,360	63,417	1,270,943	14,696	1,300,587
AUGUST	1,345,230	49,056	1,296,174	64,546	1,231,628	14,196	1,266,488
SEPTEMBER	1,241,099	50,642	1,190,457	68,018	1,122,439	12,699	1,160,382
OCTOBER	1,982,202	81,754	1,900,448	125,820	1,774,628	21,538	1,834,844
NOVEMBER	4,277,723	147,060	4,130,663	200,567	3,930,096	55,563	4,021,593
DECEMBER	7,275,576	233,257	7,042,319	299,615	6,742,705	98,976	6,876,985
JANUARY 2008	11,060,364	325,595	10,734,769	326,295	10,408,474	158,887	10,575,182
FEBRUARY	9,906,472	289,667	9,616,805	283,842	9,332,962	140,989	9,481,641
MARCH	7,827,608	237,706	7,589,902	232,700	7,357,202	109,151	7,485,757
APRIL	5,193,736	166,646	5,027,090	140,901	4,886,189	71,194	4,981,641
MAY	<u>2,538,531</u>	<u>99,458</u>	<u>2,439,073</u>	<u>76,602</u>	<u>2,362,471</u>	<u>31,062</u>	<u>2,430,867</u>
<b>TOTAL</b>	<b>55,694,493</b>	<b>1,769,770</b>	<b>53,924,723</b>	<b>1,940,286</b>	<b>51,984,437</b>	<b>747,747</b>	<b>53,006,460</b>

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**PROJECTED APPLICABLE FUEL EXPENSE  
SUMMARY  
JUNE 2007 - MAY 2008**

	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</u>	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>TOTAL</u>
<b>NATURAL GAS BILLED</b>													
DEMAND CHARGE	5,741,503	5,717,751	5,707,879	5,104,538	5,108,406	6,530,316	6,558,783	6,555,139	6,488,074	6,547,207	6,076,128	6,081,351	74,214,875
COMMODITY CHARGE	30,864,339	31,794,476	32,035,920	33,276,198	45,146,735	35,868,714	57,449,916	64,179,452	56,133,834	50,262,421	46,644,578	40,152,325	523,811,908
<b>TOTAL NATURAL GAS BILLED</b>	<b>36,605,842</b>	<b>37,512,227</b>	<b>37,743,599</b>	<b>39,382,736</b>	<b>51,255,141</b>	<b>42,400,030</b>	<b>64,008,699</b>	<b>70,734,591</b>	<b>62,619,908</b>	<b>56,809,628</b>	<b>52,720,706</b>	<b>46,233,676</b>	<b>598,026,783</b>
INTERRUPTIBLE CREDIT	(488,041)	(539,543)	(551,502)	(566,773)	(1,035,693)	(1,874,209)	(2,990,059)	(3,228,976)	(2,771,711)	(2,283,268)	(1,259,379)	(646,659)	(18,232,813)
SENDOUT VOLUME IN MCF	60,228	65,899	67,073	70,682	130,767	208,487	311,428	339,161	295,033	241,868	146,444	79,604	2,016,652
DKT CONVERSION FACTOR	1.0350	1.0350	1.0350	1.0350	1.0350	1.0350	1.0350	1.0350	1.0350	1.0350	1.0350	1.0350	
PRICE \$/DKT	7.829	7.811	7.944	7.748	7.652	8.686	9.277	9.190	9.077	9.121	8.309	7.849	
<b>GAS USED FOR UTILITY</b>	<b>(266,046)</b>	<b>(300,478)</b>	<b>(212,115)</b>	<b>(136,223)</b>	<b>(187,554)</b>	<b>(484,926)</b>	<b>(821,963)</b>	<b>(1,196,663)</b>	<b>(1,051,690)</b>	<b>(888,493)</b>	<b>(548,395)</b>	<b>(267,555)</b>	<b>(6,342,100)</b>
<b>NATURAL GAS TO STORAGE FROM STORAGE PGW</b>	<b>19,372,636</b>	<b>20,424,435</b>	<b>20,711,166</b>	<b>20,286,053</b>	<b>17,021,802</b>	<b>187,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,831,059</b>	<b>20,127,446</b>	<b>130,961,603</b>
						<b>20,955,796</b>	<b>32,898,644</b>	<b>40,867,279</b>	<b>33,296,856</b>	<b>20,509,343</b>	<b>2,603,169</b>	<b>-</b>	<b>151,131,087</b>
<b>NET NATURAL GAS STORAGE</b>	<b>(19,372,636)</b>	<b>(20,424,435)</b>	<b>(20,711,166)</b>	<b>(20,286,053)</b>	<b>(17,021,802)</b>	<b>20,768,789</b>	<b>32,898,644</b>	<b>40,867,279</b>	<b>33,296,856</b>	<b>20,509,343</b>	<b>(10,227,890)</b>	<b>(20,127,446)</b>	<b>20,169,484</b>
<b>LNG TO STORAGE FROM LNG PGW</b>	<b>647,185</b>	<b>-</b>	<b>-</b>	<b>603,761</b>	<b>2,548,344</b>	<b>3,315,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,798,139</b>	<b>2,234,935</b>	<b>11,147,435</b>
	<b>830,355</b>	<b>851,120</b>	<b>651,188</b>	<b>630,342</b>	<b>650,904</b>	<b>826,875</b>	<b>1,673,236</b>	<b>1,598,468</b>	<b>1,383,691</b>	<b>653,083</b>	<b>635,226</b>	<b>657,170</b>	<b>10,441,657</b>
<b>NET LNG STORAGE</b>	<b>(16,830)</b>	<b>851,120</b>	<b>651,188</b>	<b>26,581</b>	<b>(1,897,440)</b>	<b>(2,688,196)</b>	<b>1,673,236</b>	<b>1,598,468</b>	<b>1,383,691</b>	<b>653,083</b>	<b>(1,162,914)</b>	<b>(1,577,764)</b>	<b>(705,778)</b>
<b>NET NATURAL GAS EXPENSE</b>	<b>16,462,290</b>	<b>16,898,892</b>	<b>16,920,005</b>	<b>18,420,269</b>	<b>31,112,653</b>	<b>58,141,488</b>	<b>94,768,558</b>	<b>108,777,698</b>	<b>93,477,053</b>	<b>74,800,293</b>	<b>39,522,129</b>	<b>23,614,251</b>	<b>592,915,577</b>
<b>APPLICABLE GCR EXPENSE</b>													
NET NATURAL GAS EXPENSE	16,462,290	16,898,892	16,920,005	18,420,269	31,112,653	58,141,488	94,768,558	108,777,698	93,477,053	74,800,293	39,522,129	23,614,251	592,915,577
PURCHASED ELECTRIC	99,500	98,900	98,500	74,000	84,000	86,000	94,000	118,000	103,000	102,000	81,000	78,000	1,116,900
<b>TOTAL APPLICABLE EXPENSES</b>	<b>16,561,790</b>	<b>16,997,792</b>	<b>17,018,505</b>	<b>18,494,269</b>	<b>31,196,653</b>	<b>58,227,488</b>	<b>94,862,558</b>	<b>108,895,698</b>	<b>93,580,053</b>	<b>74,902,293</b>	<b>39,603,129</b>	<b>23,692,251</b>	<b>594,032,477</b>
<b>TOTAL FIRM SALES</b>	<b>1,564,700</b>	<b>1,270,943</b>	<b>1,231,628</b>	<b>1,122,439</b>	<b>1,774,628</b>	<b>3,830,095</b>	<b>6,742,705</b>	<b>10,408,475</b>	<b>9,332,963</b>	<b>7,357,202</b>	<b>4,886,189</b>	<b>2,382,471</b>	<b>51,984,437</b>

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Schedule 3

GCR

STATEMENT OF RECONCILIATION

JUNE 2007 THROUGH MAY 2008

	NET COST OF FUEL 1	FIRM SALES 2	IRC FACTOR APPLIED 3	INTERRUPTIBLE REVENUE CREDIT 4 = (2 * 3)	APPLICABLE EXPENSES 5 = (1 - 4)	GCR FACTOR APPLIED 6	GCR REVENUE BILLED 7	OVER/(UNDER) RECOVERY 8 = (7 - 5)	E FACTOR DISTRIBUTED ON GCR 9	CUMULATIVE OVER/(UNDER) RECOVERY 10	
	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$	
MAY 2007 OVER-COLLECTION									(28,697,161)		
MIGRATION CHARGE AND SSPC REVENUE									(592,218)		
TOTAL									(29,289,379)		
<u>2007-2008</u>											
JUNE 2007	Estimated	16,581,790	1,584,700	0.1429	223,663	16,338,127	10.5795	16,553,662	215,536	881,592	29,504,915
JULY	Estimated	16,997,792	1,270,943	0.1429	181,673	16,816,119	10.7251	13,630,987	(3,185,132)	716,082	26,319,782
AUGUST	Estimated	17,018,505	1,231,628	0.1429	176,053	16,842,452	10.7251	13,209,333	(3,633,119)	693,931	22,886,664
SEPTEMBER	Estimated	18,494,269	1,122,439	0.1429	160,445	18,333,824	10.7251	12,036,268	(6,295,555)	632,411	16,391,109
OCTOBER	Estimated	31,196,653	1,774,628	0.1429	253,671	30,942,982	10.7251	19,033,065	(11,909,917)	999,872	4,481,192
NOVEMBER	Estimated	58,227,488	3,930,095	0.1429	561,780	57,665,708	10.7251	42,150,667	(15,515,041)	2,214,318	(11,033,849)
DECEMBER	Estimated	94,862,558	6,742,705	0.1429	963,823	93,898,734	10.7251	72,316,182	(21,582,552)	3,799,015	(32,816,401)
JANUARY 2008	Estimated	108,895,698	10,408,475	0.1429	1,487,820	107,407,878	10.7251	111,831,932	4,224,054	5,864,404	(28,392,347)
FEBRUARY	Estimated	93,580,053	9,332,963	0.1429	1,334,083	92,245,971	10.7251	100,096,959	7,850,989	5,258,433	(20,541,358)
MARCH	Estimated	74,902,293	7,357,202	0.1429	1,051,661	73,850,631	10.7251	78,906,728	5,056,097	4,145,238	(15,485,261)
APRIL	Estimated	39,603,129	4,886,189	0.1429	898,447	38,904,681	10.7251	52,404,865	13,500,183	2,753,005	(1,985,078)
MAY	Estimated	<u>23,692,251</u>	<u>2,362,471</u>	0.1429	<u>337,699</u>	<u>23,354,552</u>	10.7251	<u>25,337,736</u>	<u>1,983,183</u>	<u>1,331,077</u>	<u>(1,895)</u>
TOTAL		594,032,477	51,984,437		7,430,818	586,601,659		557,310,385	(29,291,274)	29,289,379	(1,895)

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STATEMENT OF RECONCILIATION

SEPTEMBER 2006 THROUGH MAY 2007

		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	NATURAL GAS REFUNDS	CUMULATIVE OVER/(UNDER) RECOVERY
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2005-2006 OVER-COLLECTION													8,419,834
2005-2006 INTEREST													(1,414,333)
TOTAL "E" FACTOR													7,005,501
SEPTEMBER 2006	Actual	4,340,031	10,573,448	14,913,479	1,189,490	0.2159	256,811	14,656,668	11.2558	13,387,732	(1,288,936)	0	5,716,665
OCTOBER *	Actual	4,878,078	21,976,585	26,852,663	1,890,480	0.2159	364,970	26,487,693	11.2558	19,002,368	(7,485,325)	101,017	(1,867,643)
NOVEMBER *	Actual	4,711,060	34,517,727	39,228,787	3,607,178	0.2159	778,790	38,449,997	11.2558	40,608,649	2,158,652	0	491,009
DECEMBER *	Actual	5,554,078	63,045,738	68,599,816	5,325,945	0.1794	955,475	67,644,341	11.0839	58,870,672	(8,773,669)	0	(8,282,661)
JANUARY 2007	Actual	5,181,953	76,797,539	81,979,492	6,923,835	0.1429	989,387	80,990,105	10.9119	75,564,317	(5,425,788)	0	(13,708,448)
FEBRUARY	Actual	5,203,944	98,757,835	101,961,779	9,965,002	0.1429	1,423,999	100,537,780	10.9119	108,729,065	8,191,285	160,220	(5,356,943)
MARCH	Actual	5,194,066	82,901,329	88,095,395	8,026,777	0.1441	1,156,257	86,939,138	10.6729	85,375,124	18,435,988	0	13,079,043
APRIL	Estimated	5,912,011	35,486,872	41,398,883	5,065,750	0.1452	735,547	40,663,336.1	10.4338	82,887,522	12,194,186	0	25,273,229
MAY	Estimated	5,845,447	17,528,284	23,373,711	2,532,742	0.1452	367,754	23,005,956.86	10.4338	26,429,889	3,423,932	0	28,697,161

RECONCILIATION OF DEMAND CHARGES

		1	2	3	4 = (2 * 3)	5 = (4 - 1)	6
		DEMAND CHARGES	FIRM SALES	DEMAND CHARGE IN EFFECT	DEMAND CHARGES BILLED	MONTHLY DEMAND OVER/(UNDER)	CUMULATIVE DEMAND OVER/(UNDER)
		\$	\$	\$	\$	\$	\$
SEPTEMBER 2006	Actual	4,340,031	1,189,490	1,2520	1,489,241	(2,850,790)	(2,850,790)
OCTOBER *	Actual	4,878,078	1,890,480	1,2820	2,116,456	(2,759,622)	(5,610,411)
NOVEMBER *	Actual	4,711,060	3,607,178	1,2820	4,516,187	(194,873)	(5,805,284)
DECEMBER *	Actual	5,554,078	5,325,945	1,2253	6,525,880	971,802	(4,833,482)
JANUARY 2007	Actual	5,181,953	6,923,835	1,1986	8,298,669	3,116,716	(1,716,766)
FEBRUARY	Actual	5,203,944	9,965,002	1,1986	11,944,051	6,740,107	5,023,341
MARCH	Actual	5,194,066	8,026,777	1,4139	11,348,659	6,154,593	11,177,934
APRIL	Estimated	5,912,011	5,065,750	1,6291	8,252,813	2,340,802	13,518,536
MAY	Estimated	5,845,447	2,532,742	1,6291	4,126,090	(1,719,357)	11,799,179

\* Revised

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**CALCULATION OF RECOVERED CHARGES**

**3RD QUARTER FILING**

**JUNE 2007 - MAY 2008**

	<u>50% of June</u>	<u>11.5 Months</u>	<u>Total</u>
			(MCF)                      (\$)
<b>Firm Sales (Mcf)</b>	782,350	51,202,087	51,984,437
<b>GCR (\$ / Mcf)</b>	\$ 10.4338	\$ 10.7251	
<b>Total Projected Recovery</b>	\$ 8,162,883	\$ 549,147,508	\$ 557,310,385

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## Change In Rates 3rd Quarter GCR Filing

Rates Effective June 1, 2007 \*

### Distribution Charge

	<u>Delivery Charge</u>			<u>Restructuring &amp; Consumer Education</u>	<u>Surcharges</u>		<u>Total Distribution Charge / Mcf</u>
	<u>Base Charge</u>	<u>Revenue Realignment Adjustment</u>	<u>Sub-Total Delivery Charge</u>		<u>Universal Service &amp; Ener. Cons.</u>	<u>Sub-Total Surcharges</u>	
Residential GS/PHAGS	\$4.1223	\$0.0901	\$4.2124	\$0.0662	\$2.6524	\$2.7186	\$6.9310
Commercial GS/MUNGS	\$4.2155	\$0.0901	\$4.3056	\$0.0662	\$2.6524	\$2.7186	\$7.0242
Industrial GS	\$4.2128	\$0.0901	\$4.3029	\$0.0662	\$2.6524	\$2.7186	\$7.0215
Phila.Housing Authority (PHA)	\$4.2051	\$0.0901	\$4.2952	\$0.0662	\$2.6524	\$2.7186	\$7.0138
Municipal (MS)	\$3.0569	\$0.0901	\$3.1470	\$0.0662	\$2.6524	\$2.7186	\$5.8656

### Proposed Rates

	<u>3/1/07 Distribution Charge</u> (1)	<u>3/1/07 GCR</u> (2)	<u>3/1/07 Commodity Rate</u> (3)=(1)+(2)	<u>6/1/07 Distribution Charge</u> (4)	<u>6/1/07 GCR</u> (5)	<u>6/1/07 Commodity Rate</u> (6)=(4)+(5)	<u>Increase</u> (7)=(6)-(3)
Residential GS/PHAGS	\$6.9579	\$10.4338	\$17.3917	\$6.9310	\$10.7251	\$17.6561	\$0.2644
Commercial GS/MUNGS	\$7.0511	\$10.4338	\$17.4849	\$7.0242	\$10.7251	\$17.7493	\$0.2644
Industrial GS	\$7.0484	\$10.4338	\$17.4822	\$7.0215	\$10.7251	\$17.7466	\$0.2644
Phila.Housing Authority (PHA)	\$7.0407	\$10.4338	\$17.4745	\$7.0138	\$10.7251	\$17.7389	\$0.2644
Municipal (MS)	\$5.8925	\$10.4338	\$16.3263	\$5.8656	\$10.7251	\$16.5907	\$0.2644

\* Excludes Customer Charge

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## Philadelphia Gas Works

June 1, 2007

**UNIVERSAL SERVICE & ENERGY CONSERVATION SURCHARGE**

	<b><u>Expenses in the Surcharge</u></b>
Conservation Works Program (CWP)	2,335,000
Customer Responsibility Program (CRP) Discount	95,208,291
Senior Citizen Discount	12,429,362 *
May 2007 Under Collection	<u>30,623,885</u>
Total \$ to be Recovered	\$ 140,596,538
Applicable Sales Volume	Mcf 53,006,460
<b>Universal Service &amp; Energy Conservation Surcharge</b>	<b>\$ 2.6524</b>

\* This is the Senior Citizen Discount on the Delivery Charge, GCR and Restructuring Surcharge which is used to calculate the Universal Services Surcharge. The total Senior Citizen Discount is \$14,412,944.

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**STATEMENT OF RECONCILIATION**  
**UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE**  
**SEPTEMBER 2006 THROUGH MAY 2007**

<u>Month</u>	<u>Applicable Volumes</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over/(Under) Recovery</u>	<u>Cumulative Over/(Under) Recovery</u>	
<b><u>FY 06 Reconciliation</u></b>						(\$27,049,360)	
September 2006	Actual	1,174,632	\$ 2,7508	\$ 3,231,178	\$ (669,367)	\$ 3,900,545	(\$23,148,816)
October	Actual	1,667,262	\$ 2,7508	\$ 4,586,304	\$ 1,435,436	\$ 3,150,868	(\$19,997,947)
November	Actual	3,549,981	\$ 2,7508	\$ 9,765,288	\$ 8,949,781	\$ 815,507	(\$19,182,441)
December	Actual	5,274,639	\$ 2,5731	\$ 13,572,174	\$ 15,576,973	\$ (2,004,799)	(\$21,187,240)
January 2007	Actual	6,878,732	\$ 2,3954	\$ 16,477,315	\$ 20,912,092	\$ (4,434,777)	(\$25,622,017)
February	Actual	9,907,449	\$ 2,3954	\$ 23,732,303	\$ 27,906,650	\$ (4,174,347)	(\$29,796,364)
March	Actual	7,988,851	\$ 2,5374	\$ 20,270,511	\$ 22,767,659	\$ (2,497,148)	(\$32,293,512)
April	Estimated	5,037,743	\$ 2,6793	\$ 13,497,625	\$ 14,141,349	\$ (643,724)	(\$32,937,236)
May	Estimated	2,551,533	\$ 2,6793	\$ 6,836,322	\$ 4,522,972	\$ 2,313,351	(\$30,623,885)

<u>USC Expenses</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>
Conservation Works	\$ 10,824	\$ 185,932	\$ 178,810	\$ 176,751	\$ 118,141	\$ 175,573	\$ 258,056	\$ 223,393	\$ 223,393
CRP Discount	\$ (1,847,895)	\$ (89,495)	\$ 6,784,945	\$ 12,918,987	\$ 17,736,572	\$ 24,147,043	\$ 19,405,170	\$ 11,623,400	\$ 2,675,345
CRP Forgiveness	\$ 779,997	\$ 802,371	\$ 789,561	\$ 719,351	\$ 815,287	\$ 735,169	\$ 844,015	\$ 761,385	\$ 858,000
Senior Citizen Discount	\$ 387,707	\$ 536,628	\$ 1,196,465	\$ 1,761,884	\$ 2,242,092	\$ 2,848,865	\$ 2,260,418	\$ 1,533,171	\$ 766,234
	\$ (669,367)	\$ 1,435,436	\$ 8,949,781	\$ 15,576,973	\$ 20,912,092	\$ 27,906,650	\$ 22,767,659	\$ 14,141,349	\$ 4,522,972

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**Actual Natural Gas Billed**

	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>
Williams	\$ 1,886,482	\$ 2,047,150	\$ 2,669,838
Texas Eastern	\$ 2,419,017	\$ 2,693,240	\$ 2,422,909
Dominion	\$ 139,578	\$ 138,995	\$ 132,625
Equitrans	\$ 48,700	\$ 48,665	\$ 48,270
Spot Purchases -Transco	\$ 262,409	\$ 894,386	\$ 1,091,995
Spot Purchases -Tetco	\$ -	\$ -	\$ 101,175
Transco Supply1	\$ -	\$ -	\$ -
Transco Supply2	\$ -	\$ -	\$ -
Transco Supply3	\$ 5,900,385	\$ 5,311,460	\$ 5,958,665
Transco Supply4	\$ -	\$ -	\$ -
Transco Supply5	\$ -	\$ -	\$ -
Transco Supply6	\$ -	\$ -	\$ 214,936
Transco Supply7	\$ 4,874,078	\$ 7,403,200	\$ 3,261,223
Transco Supply8	\$ 6,985,745	\$ 8,304,520	\$ 9,664,335
Transco Supply9	\$ -	\$ -	\$ -
Transco Supply10	\$ 1,812,660	\$ 3,981,600	\$ 1,059,345
Transco Supply11	\$ -	\$ -	\$ -
Transco Supply12	\$ -	\$ -	\$ -
Transco Supply13	\$ -	\$ -	\$ -
Transco Supply14	\$ 3,188,195	\$ 2,235,940	\$ 3,021,785
Transco Supply15	\$ -	\$ -	\$ 379,925
Transco Supply16	\$ -	\$ -	\$ -
Transco Supply17	\$ 2,151,430	\$ 2,054,500	\$ 2,273,763
Transco Supply18	\$ -	\$ -	\$ -
Tetco Supply1	\$ 3,038,615	\$ 5,375,713	\$ 1,252,461
Tetco Supply2	\$ 3,995,644	\$ 3,792,390	\$ 4,243,508
Tetco Supply3	\$ 1,302,000	\$ 1,833,318	\$ 1,454,780
Tetco Supply4	\$ -	\$ -	\$ -
Tetco Supply5	\$ -	\$ 1,617,569	\$ -
Tetco Supply6	\$ -	\$ -	\$ -
Tetco Supply7	\$ 6,886,573	\$ 6,519,368	\$ 7,294,032
Tetco Supply8	\$ -	\$ -	\$ -
Tetco Supply9	\$ -	\$ -	\$ -
Tetco Supply10	\$ -	\$ -	\$ -
Tetco Supply11	\$ -	\$ -	\$ -
Tetco Supply12	\$ -	\$ -	\$ -
Tetco Supply13	\$ 8,284,750	\$ 7,511,000	\$ 8,184,000
Tetco Supply14	\$ 3,484,943	\$ 3,147,704	\$ 3,484,958
Tetco Supply15	\$ -	\$ -	\$ -
<u>Tetco Supply16</u>	\$ -	\$ 46,604	\$ 198,652
<b>Total Costs</b>	<b>\$ 56,661,202</b>	<b>\$ 64,957,322</b>	<b>\$ 58,413,182</b>
<b>Off System Sales</b>			
Gas Transportation Purchases	\$ (3,571)	\$ (3,571)	\$ (1,668)
Adjustment/Reconciliation	\$ (83,349)	\$ 860,285	\$ (1,145,914)
<b>Total Natural Gas Billed</b>	<b>\$ 56,574,282</b>	<b>\$ 65,814,036</b>	<b>\$ 57,265,600</b>

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**Philadelphia Gas Works  
Summary of Fuels Purchased  
Three Months Ending March 2007**

	Actual				Projected			Total	Actual Over/Under vs. Projected			
	Jan-07	Feb-07	Mar-07	Total	2nd Qtr Filing Jan-07	2nd Qtr Filing Feb-07	2nd Qtr Filing Mar-07		Jan-07	Feb-07	Mar-07	Total
<b>Total Natural Gas Billed</b>	\$ 56,674,282	\$ 65,814,036	\$ 67,286,600	\$ 179,653,918	\$ 59,212,892	\$ 55,211,998	\$ 57,891,878	\$ 172,118,668	\$ (2,638,419)	\$ 10,602,038	\$ (426,278)	\$ 7,637,360
<b>Less Interruptible Credit Gas Used For Utility</b>	\$ 2,951,208	\$ 3,508,263	\$ 2,803,613	\$ 9,263,082	\$ 2,375,329	\$ 2,379,933	\$ 2,029,299	\$ 6,784,661	\$ 575,877	\$ 1,128,331	\$ 774,314	\$ 2,478,521
	\$ 1,083,187	\$ 1,488,142	\$ 1,382,616	\$ 3,933,945	\$ 887,044	\$ 726,806	\$ 671,033	\$ 2,284,885	\$ 176,143	\$ 761,336	\$ 711,683	\$ 1,649,061
	\$ 52,669,889	\$ 60,817,631	\$ 63,079,371	\$ 166,466,891	\$ 55,960,316	\$ 62,105,258	\$ 54,991,646	\$ 163,047,123	\$ (3,390,429)	\$ 8,712,373	\$ (1,912,175)	\$ 3,408,768
<b>Pipeline Storages</b>												
(To)	\$ (1,464,792)	\$ (241,809)	\$ (3,708,706)	\$ (5,415,307)	\$ -	\$ -	\$ -	\$ -	\$ (1,464,792)	\$ (3,708,706)	\$ (3,708,706)	\$ (6,882,204)
From	\$ 28,770,084	\$ 34,088,417	\$ 15,847,674	\$ 78,708,175	\$ 23,848,136	\$ 28,870,752	\$ 15,074,888	\$ 67,393,576	\$ 5,121,948	\$ (12,823,078)	\$ 772,986	\$ (6,928,154)
Net Pipeline Storages	\$ 27,305,292	\$ 33,846,608	\$ 12,138,968	\$ 73,290,868	\$ 23,848,136	\$ 28,870,752	\$ 15,074,888	\$ 67,393,576	\$ 3,657,156	\$ 5,175,866	\$ (2,935,720)	\$ 6,897,292
<b>LNG Storage</b>												
(To)	\$ (12,549)	\$ (12,949)	\$ -	\$ (25,498)	\$ -	\$ -	\$ -	\$ -	\$ (12,549)	\$ (12,949)	\$ -	\$ (25,498)
From	\$ 1,930,350	\$ 7,179,068	\$ 2,783,851	\$ 11,873,269	\$ 1,434,431	\$ 2,057,168	\$ 656,062	\$ 4,148,661	\$ 485,919	\$ 5,121,910	\$ 2,108,789	\$ 7,726,618
Net LNG Storage	\$ 1,917,801	\$ 7,166,119	\$ 2,783,851	\$ 11,847,771	\$ 1,434,431	\$ 2,057,168	\$ 656,062	\$ 4,148,661	\$ 483,370	\$ 5,108,961	\$ 2,108,789	\$ 7,701,120
Net Natural Gas	\$ 81,782,982	\$ 101,830,358	\$ 67,982,190	\$ 251,695,530	\$ 81,032,885	\$ 82,833,169	\$ 70,721,296	\$ 234,587,360	\$ 750,097	\$ 18,997,189	\$ (2,739,106)	\$ 17,008,180
<b>APPLICABLE GCR EXPENSES</b>												
Net Natural Gas Expense	\$ 81,782,982	\$ 101,830,358	\$ 67,982,190	\$ 251,695,530	\$ 81,032,885	\$ 82,833,169	\$ 70,721,296	\$ 234,587,360	\$ 750,097	\$ 18,997,189	\$ (2,739,106)	\$ 17,008,180
Electric	\$ 196,510	\$ 131,421	\$ 113,205	\$ 441,136	\$ 160,502	\$ 105,949	\$ 93,452	\$ 349,903	\$ 48,008	\$ 25,472	\$ 19,763	\$ 91,233
Total GCR Expenses	\$ 81,979,492	\$ 101,961,779	\$ 68,095,395	\$ 252,036,666	\$ 81,193,387	\$ 82,939,118	\$ 70,814,748	\$ 234,937,263	\$ 798,105	\$ 19,022,661	\$ (2,719,353)	\$ 17,099,413

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PHILADELPHIA GAS WORKS

## PHILADELPHIA GAS WORKS

### GAS SERVICE TARIFF



Issued by: Thomas Knudsen  
President and CEO

PHILADELPHIA GAS WORKS  
800 West Montgomery Avenue  
Philadelphia, PA 19122

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List of Changes Made by this Tariff Supplement

**GAS COST RATE (GCR) – SECTION 1307f, II DEFINITIONS (PAGE No. 67)**

In the definition of "GAC," the "GAC" value effective June 1, 2007 decreases from \$(0.00878) per Ccf to \$(0.05637) per Ccf.

In the definition of "IRC," the "IRC" value effective June 1, 2007 decreases from \$0.01452 per Ccf to \$0.01430 per Ccf.

In the definition of "SSC," the "SSC" value effective June 1, 2007 increases from \$1.06668 per Ccf to \$1.14318 per Ccf.

**GAS COST RATE (GCR) – SECTION 1307f, III COMPUTATION OF GAS COST RATE (Page No. 68)**

The Gas Cost Rate (GCR) effective June 1, 2007 increases from \$1.04338 per Ccf to \$1.07251 per Ccf.

**UNIVERSAL SERVICE CHARGE (PAGE No. 81)**

The Universal Services Charge effective June 1, 2007 decreases from \$0.26793 per Ccf to \$0.26524 per Ccf.

**GENERAL SERVICE – RATE GS (Page No. 83)**

The GCR for Residential, Commercial, and Industrial Services increases from \$1.04338 per Ccf to \$1.07251 per Ccf, effective June 1, 2007.

**MUNICIPAL SERVICE – RATE MS (Page No. 87)**

The GCR for Municipal Service increases from \$1.04338 per Ccf to \$1.07251 per Ccf, effective June 1, 2007.

**PHILADELPHIA HOUSING AUTHORITY SERVICE – RATE PHA (Page No. 90)**

The GCR for Philadelphia Housing Authority Service increases from \$1.04338 per Ccf to \$1.07251 per Ccf, effective June 1, 2007.

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**GAS COST RATE (GCR) -- SECTION 1307(f)**

**I. PROVISION FOR ADJUSTMENT**

The Gas Cost Rate shall be applied to each Mcf (1,000 cubic feet) for Firm Retail Sales Service Gas supplied under Rates Schedules GS, MS, PHA, and NGVS-Firm, except for Gas usage under the Special Provisions – Air Conditioning of those rates calculated in a manner set forth below, pursuant to 66 Pa.C.S. §1307(f). Such rates for Firm Sales Service Gas may be increased or decreased from time to time under the procedures set forth in Section II.B. below to reflect changes in the level of Gas costs incurred or projected to be incurred by PGW related to Sales Service.

**II. DEFINITIONS**

C - The current cost of Natural Gas and other raw materials determined as follows: (a) for all types of Gas, project the cost for each purchase (adjusted for net current Gas stored) for the computation year plus (b) the of (1) the projected book value of non-current Gas at the beginning of the computation year minus (2) the projected book value of non-current Gas at the end of the computation year. In addition to any cost authorized by the Commission, the cost of Natural Gas may include any item included in the definition of Natural Gas costs set forth in 66 Pa.C.S. § 1307(h) ("Definition"). The Factor "C" includes two components -- Commodity Costs and Demand Costs which are defined as follows: Commodity Costs - the actual cost of natural gas and purchased electric for firm customers that does not include the fixed costs associated with the transportation and storage of natural gas; and Demand Costs - the fixed costs associated with the transportation and storage of natural gas for firm customers.

Computation Year - The 12-month forecast period as identified in the Company's annual 1307 (f) filing and each quarterly GCR filing.

E - Experienced net over billing (or under billing) of the cost of Natural Gas and other raw materials applicable to the GCR reported in the most recent Section 1307(f) proceeding. Such over billings (or under billings) will be made with interest at the rate and method set forth by the Pennsylvania Public Utility Commission. Additionally, supplier refunds received prior to the end of the August billing period will be included in the Factor "E." The Factor "E" includes two components -- Commodity Costs and Demand Costs which are defined above in the Factor "C" definition.

Firm Sales Service - The service provided to Customers who receive firm supply service from PGW. The term does not include the service provided to Customers who receive interruptible supply service from PGW.

GAC - The "E" factor component of the GCR, representing the net overcollection or undercollection of Natural Gas and other raw materials costs. The currently effective GAC is \$(0.07907) per Ccf for Commodity Costs and \$0.02271 per Ccf for Demand Costs, for service on or after June 1, 2007. The total Gac is \$(0.05637) per Ccf. (D)

GCR - Gas Cost Rate determined to the nearest one-hundredth cent (\$0.0001) to be applied to each Mcf of Gas supplied under Rates GS, MS, PHA, and NGVS-Firm, except for Gas usage under the Special Provisions – Air Conditioning of those rates and is equal to the SSC plus the GAC minus the IRC.

IRC - Interruptible Revenue Credit - The credit defined in Subsection VI below. The currently effective IRC is \$0.01430 per Ccf for service on or after June 1, 2007. (D)

Natural Gas or Gas - The volumes of gas purchased or manufactured by the Company that is delivered to the Company's Customers, plus such portion of the Company-used and unaccounted-for gas as the Commission permits, including, but not limited to, natural gas, liquefied natural gas, synthetic gas,

**(D) – Decrease**

PHILADELPHIA GAS WORKS

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liquefied propane and naphtha.

S - Projected applicable Mcf of Gas to be billed to Customers during the computation year.

SSC-Sales Service Charge - The purchased Gas costs determined to the nearest  $\frac{1}{100}$  of a cent (\$0.0001). The currently effective SSC is \$1.00036 per Ccf for Commodity Costs and \$0.14282 per Ccf for Demand Costs, for service on or after June 1, 2007. The total SSC is \$1.14318 per Ccf.

(I)  
↓

(I) – Increase

PHILADELPHIA GAS WORKS

III. COMPUTATION OF GAS COST RATE

A. The GCR shall be computed to the nearest one-thousandth cent (\$0.00001) in accordance with the formula set forth below as the terms are defined in Section II:

$$\begin{aligned} \text{SSC} &= \text{C/S} \\ \text{GAC} &= \text{E/S} \\ \text{GCR} &= \text{SSC} + \text{GAC} - \text{IRC} \end{aligned}$$

B. Each Gas Cost Rate so computed shall be applied to Customers' bills for twelve monthly billing periods commencing with September.

The currently effective Gas Cost Rate is \$1.07251 per Ccf, for service on or after June 1, 2007. (I)

IV. REPORTING REQUIREMENTS

A. The Company's rates are subject to quarterly adjustments for recovery of the Gas Cost Rate under procedures set forth in Section 1307 (f) of the Public Utility Code.

B. The filing of the Company's annual Section 1307(f) filing, annual Gas Cost Rate, effective during the billing period of September through August, shall be submitted to the Commission by March 1 of each year, with a February 1 pre-filing date.

C. The application of the Gas Cost Rate shall be subject to review and audit by the Commission at such intervals as the Commission shall determine.

D. If it shall be determined, from audit by the Commission, or by final order entered after notice and hearing, that the application of this clause has resulted in the overcollection or undercollection of revenues, then the Company shall apply such over/undercollection as a credit or debit against future Gas Cost Rates.

V. PROVISION FOR INCLUSION OF SPECIFIC NON-GAS EXPENSES

The computation of the Gas Cost Rate may include such Non-Gas expenses as may be authorized by this tariff and annually authorized by the Commission.

VI. INTERRUPTIBLE REVENUE CREDIT (IRC)

A. The GCR rate shall be credited with an Interruptible Revenue Credit (IRC) equal to the margin realized from interruptible sales under PGW's Interruptible Sales Tariff Rates: BPS, LBS; and CG (Total Margin Revenue).

B. The IRC shall be set each year in the Company's 1307(f) proceeding to reflect the Total Margin Revenue. The rate per Mcf shall be calculated by dividing the Total Margin Revenue by total applicable firm sales. For the period September 1, 2003 through August 31, 2004 the IRC shall be initially set to reflect the Total Margin Revenue authorized by the Commission in its final order at M-00021612 (entered March 31, 2003).

(I) - Increase



## UNIVERSAL SERVICE AND ENERGY CONSERVATION SURCHARGE

Universal service and energy conservation program and related costs will be recovered by a Universal Service and Energy Conservation Surcharge applicable to all volumes of Gas delivered.

1. The Surcharge will recover: 1) the discounts provided to Customers pursuant to the Customer Responsibility Program (CRP); 2) the discounts provided to Customers pursuant to the Senior Citizen Discount; 3) the costs of the Conservation Works Program (CWP); and, 4) for Customers entering the CRP program on or after September 1, 2003, past due arrearages forgiven pursuant to paragraph A (6) of the CRP/CAP Program Design Stipulation approved by the Commission by its order at M-00021612 (entered March 31, 2003).
2. Computation of the Universal Service and Energy Conservation Surcharge factors will be in accordance with the automatic adjustment procedures utilized under Section 1307(f) of the Public Utility Code and will be filed and approved in conjunction with the Company's annual Section 1307(f)-GCR filing.
3. Once the surcharge is in place it will be automatically adjusted effective March 1, June 1, September 1, and December 1 of each year in accordance with Section 1307(f) quarterly adjustment procedures. No interest will be included in such surcharge computations. The basic component of the surcharge will be determined by dividing the total universal service and energy conservation program costs approved for annual recovery by the estimated applicable throughput in Mcfs.
4. The Universal Service and Energy Conservation Surcharge shall take effect upon the effective date of this Tariff.

Current Universal Service and Energy Conservation Surcharge = \$ 0.26524/Ccf.

(D)

(D) - Decrease



**GENERAL SERVICE - RATE GS**

Rate: Applicable to all Retail Sales Service or Transportation Service rendered pursuant to this Rate Schedule on or after June 1, 2007

AVAILABILITY

Available for any purpose where the Company's distribution mains adjacent to the proposed Gas Service location are, or can economically be made, suitable to supply the quantities of Gas or Transportation Services required.

RATES

CUSTOMER CHARGE (per Meter (except parallel meters)):

\$ 12.00 per month for Residential and Public Housing Authority Customers.  
 \$ 18.00 per month for Commercial and Municipal Customers  
 \$ 50.00 per month for Industrial Customers

Plus,

GCR (not applicable to GS Customers who transport gas through a qualified NGS):

\$ 1.07251	per Ccf for Residential and Public Housing	(l)
\$ 1.07251	per Ccf for Commercial and Municipal Customers	(l)
\$ 1.07251	per Ccf for Industrial Customers	(l)

Plus,

DISTRIBUTION CHARGE (consisting of items (A) and (B), below):

(A) Delivery Charge:

\$0.42124 per Ccf for Residential and Public Housing  
 \$0.43056 per Ccf for Commercial and Municipal Customers  
 \$0.43029 per Ccf for Industrial Customers

(B) Surcharges:

Universal Service and Energy Conservation Surcharge; and Restructuring and Consumer Education Surcharge.

(l) - Increase



PHILADELPHIA GAS WORKS

## MUNICIPAL SERVICE - RATE MS

Rate: Applicable to all Retail Sales Service or Transportation Service rendered pursuant to this Rate Schedule on or after June 1, 2007.

### AVAILABILITY

Available to properties owned or occupied by the City of Philadelphia or the Board of Education, or any of their respective agencies or instrumentalities, for any type of Gas Service, unless purchased for resale to others, and where the Company's distribution mains adjacent to the proposed Gas Service locations are, or can economically be made, suitable to supply the quantities of Gas required; provided, however, that the rate shall not be available to Commercial Tenants of any such property.

### RATES

#### CUSTOMER

CHARGE (per Meter (except parallel meters):

\$ 18.00 per month

Plus,

GCR (not applicable to MS Customers who transport Gas through a qualified NGS):

\$1.07251 per Ccf

(I)

Plus,

DISTRIBUTION CHARGE (consisting of items (A) and (B), below):

(A) Delivery Charge:

\$0.31470 per Ccf

(B) Surcharges:

Universal Service and Energy Conservation Surcharge; and The Restructuring and Consumer Education Surcharge.

Also,

The following Riders may apply:

(I) - Increase



**PHILADELPHIA HOUSING AUTHORITY SERVICE - RATE PHA**

Rate: Applicable to all Retail Sales Service or Transportation Services rendered pursuant to this Rate Schedule on or after June 1, 2007

AVAILABILITY

Available for all Gas usage in multiple dwelling Residential buildings containing 10 or more dwelling units, owned and operated by the Philadelphia Housing Authority, where cooking shall be performed exclusively with Gas and where Gas Service shall be supplied through one or more single point metering arrangements at locations where the Company's distribution mains adjacent to the proposed Gas Service locations are, or can economically be made, suitable to supply the quantities of Gas required.

This rate is also available for all Gas usage in single and multiple dwelling Residential buildings, containing less than 10 dwelling units, provided, and only so long as, Gas is used exclusively for cooking, water heating and space heating for all such Residential buildings owned and operated by the Philadelphia Housing Authority, except (a) buildings operated by the Philadelphia Housing Authority, prior to the original effective date of this rate (January 1, 1969), and (b) buildings for which, in the judgment of the Company, such Gas Service cannot be provided economically.

RATES

CUSTOMER

CHARGE (per Meter (except parallel meters);

\$18.00 per month

Plus,

GCR (not applicable to PHA customers who transport gas through a qualified NGS):

\$ 1.07251 per Ccf (I)

Plus

DISTRIBUTION CHARGE:

DISTRIBUTION CHARGE (consisting of item (A) and (B), below):

(A) Delivery Charge:

\$0 .42952 per Ccf

(B) Surcharges:

Universal Service and Energy Conversation Surcharge; and The Restructuring and Consumer Education Surcharge.

(I) – Increase



# PHILADELPHIA GAS WORKS

## GAS SUPPLIER TARIFF



Issued by: Thomas Knudsen  
President and CEO  
PHILADELPHIA GAS WORKS  
800 West Montgomery Avenue  
Philadelphia, PA 19122



List of Changes Made by this Tariff

**9.14. LOAD BALANCING SURCHARGE, 9.14.A. (Page No. 39)**

The load balancing charge increases from \$35.8947 per design day Mcf to \$37.0276 per design day Mcf.



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9.14. LOAD BALANCING CHARGE.

9.14.A. Suppliers for all gas delivered under Firm Transportation Rates, of this Suppliers Tariff shall be charged at \$ 37.0276 per design day Mcf that is fulfilled by PGW storage and peaking assets, for recovery of those costs for Balancing Service, calculated in the manner set forth in the Commission's Order at M-00021612 (entered March 31, 2003) and as set forth below. Such rate for Balancing Service shall be increased or decreased, from time to time, in accordance with applicable law and procedures. (l)

9.14.B. Computation of Balancing Service Costs per Dth.

9.14.B.1. Formula. Balancing Service Costs, per design day Mcf, that is fulfilled by PGW storage and peaking assets, shall be computed to the nearest one-hundredth cent (\$0.0001) in accordance with the formula set forth below:

$$BSC = ((C - E) / (S))$$

Projected Balancing Service Costs, so computed, shall be charged to Suppliers of Firm Transportation Rates per Customer per design day Mcf that is fulfilled by PGW storage and peaking assets, for an enrollment month. The amount of those costs, per Mcf, will vary, if appropriate, based upon annual filings by the Company pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the PUC's regulations adopted pursuant thereto.

9.14.B.2. Definitions. In computing the Balancing Service Costs, per Dth, pursuant to the formula above, the following definitions shall apply:

"BSC" - Balancing Service Costs determined to the nearest one-hundredth cent (\$0.0001) to be charged to each design day Mcf that is fulfilled by PGW storage and peaking assets, under Rate Schedule Firm.

"C" - Cost in dollars: for all types of storage and related services, the fixed and variable costs for the projected period when rates will be in effect.

"E" - the net overcollection or undercollection of Balancing Service Costs.

The net overcollection or undercollection shall be determined for the most recent period permitted under law, which shall begin with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. The annual filing date shall be the date specified by the PUC for the Company's Section 1307(f) Tariff filing.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous Balancing Service Costs Rate. Interest shall be computed monthly at the rate as provided for in Section 1307(f) of the Public Utility Code from the month that the overcollection or undercollection occurs to the effective month such overcollection is refunded or undercollection is recouped. Such over billings (or under billings) will be made with interest at the statutory rate.

"S" - projected Mcf of storage gas/LNG to be delivered to Customers to meet design day needs during the projected period when rates will be in effect.

(l) - Increase

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

**VIA FIRST CLASS MAIL**

Tanya McCloskey, Esq.  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place Bldg.  
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Harrisburg, PA 17101-1921

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McNEES, WALLACE, NURICK  
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Harrisburg, PA 17108-1166

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Office of Small Business Advocate  
Commerce Building, Suite 1102  
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Harrisburg, PA 17101

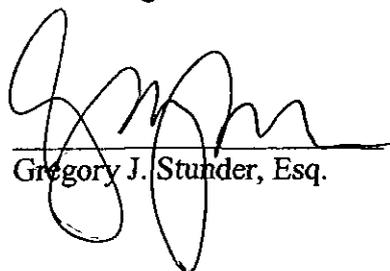
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Cambridge MA 02140

  
Gregory J. Stunder, Esq.

Date: May 31, 2007

**RECEIVED**

MAY 31 2007

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Philadelphia Gas Works**

Gregory J. Stunder  
Senior Attorney



800 W. Montgomery Avenue, Philadelphia, PA 19122  
Telephone: (215) 684-6878 – Fax (215) 684-6798  
Email: greg.stunder@pgworks.com

August 31, 2007

**VIA EXPRESS MAIL**

**RECEIVED**

AUG 31 2007

James J. McNulty  
Secretary  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

Re: Pa. PUC v. Philadelphia Gas Works; R-00061296,  
September 1, 2007 Fourth Quarterly GCR Filing

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of PGW's September 1, 2007 Quarterly Gas Cost Rate ("GCR") filing. If you have any questions, please contact me.

Respectfully submitted,

Gregory J. Stunder

Enclosures

cc: All Parties of Record  
Karen Moury, Esq.  
Kerry Klinefelter

DOCUMENT  
FOLDER

KJR

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Statement

Known per dekatherm natural gas prices are used through the month of August, 2007. Where known and quantifiable, actual per dekatherm prices for locked-in quantities of gas are used for all other months. Any remaining volumes not locked-in for price for the months of September 2007 through November 2007 are based on the NYMEX Futures Closing Prices of 8-1-07. For the period of December 2007 through August 2008, the average price of the NYMEX Futures Closing Prices of 8-1-07 and the August 2007 Global Insight Forecast were used. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal (i.e. the forecast incorporates the normal 4,510 degree-day pattern).

DOCUMENT  
FOLDER

DOCKETED  
SEP 06 2007

**SEPTEMBER 1, 2007**

**4th QUARTER GCR FILING**

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Philadelphia Gas Works  
Levelized Gas Cost Rate  
4th Quarter Filing September 1, 2007

Formula:  
GCR = SSC + GAC - IRC

where:

	<u>Demand</u>	<u>Commodity</u>	<u>Total</u>	
S = Firm Sales (Mcf)			52,341,911	(Schedule 2)
Net Natural Gas Expense	\$ 76,505,695	\$ 488,678,763	\$ 565,184,458	
Purchased Electric Expense		\$ 1,034,000	\$ 1,034,000	
C = Total Applicable GCR Expense	\$ 76,505,695	\$ 489,712,763	\$ 566,218,458	(Schedule 3)
SSC = C / S	\$ 1.4617	\$ 9.3560	\$ 10.8177	
Adjustment For:				
Interest Reconciliation		(3,437,281)	(3,437,281)	(Schedule 5b)
E = Adjustments to GCR Expenses	\$ 1,198,942	\$ (27,285,067)	\$ (26,086,125)	
	\$ 1,198,942	\$ (30,722,348)	\$ (29,523,406)	(Schedule 6)
GAC = E / S	\$ 0.022906	\$ (0.5869)	\$ (0.5640)	
Interruptible Revenue Credit			\$ 7,128,778	(Schedule 4a)
IRC = Interruptible Revenue Credit / S			\$ 0.1362	
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit			\$ 529,566,274	
<u>GCR = SSC + GAC - IRC</u>			\$ 10.1174	
SSC in effect 09/01/07	\$ 1.4607	\$ 9.3499	\$ 10.8106	
GAC in effect 09/01/07	\$ 0.0229	\$ (0.5866)	\$ (0.5637)	
IRC in effect 09/01/07			\$ (0.1361)	
GCR in effect 09/01/07			\$ 10.1108	(Schedule 8)
Recovery Test on:				
Firm Sales (Mcf)			52,341,911	
= Total Projected Recovery			\$ 529,565,999	(Schedule 8)
Compared To				
Net Applicable GCR Expenses			\$ 529,566,274	
= Net Over/(Under) Recovery			\$ (275)	(Schedule 6)

Degree Days

4,510

## SALES & VOLUMES

September 2007 Through August 2008

<u>MONTH</u>	<u>TOTAL VOLUMES</u>	<u>FIRM TRANSPORT VOLUMES</u>	<u>TOTAL BILLED SALES</u>	<u>INTERRUPTIBLE SALES</u>	<u>TOTAL FIRM SALES</u>	<u>SENIOR CITIZEN DISCOUNT SALES</u>	<u>TOTAL APPLICABLE VOLUMES</u>
SEPTEMBER 2007	1,247,516	44,454	1,203,062	72,001	1,131,060	12,701	1,162,814
OCTOBER	1,995,984	69,672	1,926,312	133,710	1,792,602	21,539	1,840,735
NOVEMBER	4,302,823	122,179	4,180,643	212,824	3,967,819	55,563	4,034,435
DECEMBER	7,316,575	193,809	7,122,766	317,757	6,805,009	98,978	6,899,841
JANUARY 2008	11,112,552	273,754	10,838,799	347,138	10,491,661	158,887	10,606,527
FEBRUARY	9,949,332	246,034	9,703,298	301,782	9,401,517	140,990	9,506,561
MARCH	7,857,601	204,012	7,653,590	246,846	7,406,744	109,152	7,501,604
APRIL	5,206,102	143,219	5,062,884	148,618	4,914,266	71,195	4,986,290
MAY	2,537,398	83,844	2,453,554	80,346	2,373,208	31,063	2,425,989
JUNE	1,693,091	73,999	1,619,092	55,534	1,563,558	16,766	1,620,790
JULY	1,391,955	64,184	1,327,772	61,446	1,266,326	13,087	1,317,423
AUGUST	<u>1,355,579</u>	<u>64,251</u>	<u>1,291,329</u>	<u>63,188</u>	<u>1,228,140</u>	<u>12,627</u>	<u>1,279,764</u>
TOTAL	<u>55,966,510</u>	<u>1,583,410</u>	<u>54,383,100</u>	<u>2,041,189</u>	<u>52,341,911</u>	<u>742,548</u>	<u>53,182,773</u>

**PROJECTED APPLICABLE FUEL EXPENSE  
SUMMARY  
SEPTEMBER 2007 - AUGUST 2008**

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	TOTAL
<b>NATURAL GAS BILLED</b>													
DEMAND CHARGE	6,011,997	6,988,705	6,318,925	6,683,887	6,679,378	6,650,740	6,670,297	6,409,331	6,280,206	6,282,216	6,268,731	6,261,281	76,505,695
COMMODITY CHARGE	32,462,637	37,538,603	45,143,157	49,936,431	56,025,624	49,330,760	42,767,737	47,928,636	44,514,016	35,266,079	34,700,106	34,438,389	610,032,064
<b>TOTAL NATURAL GAS BILLED</b>	<b>38,474,634</b>	<b>43,527,308</b>	<b>51,462,082</b>	<b>56,620,318</b>	<b>62,704,902</b>	<b>55,981,490</b>	<b>49,428,034</b>	<b>54,337,966</b>	<b>50,794,222</b>	<b>41,538,296</b>	<b>40,968,837</b>	<b>40,699,670</b>	<b>686,537,767</b>
INTERRUPTIBLE CREDIT	(564,179)	(1,063,114)	(1,904,037)	(3,032,751)	(3,309,059)	(2,867,461)	(2,347,280)	(1,366,482)	(706,853)	(476,621)	(533,373)	(552,321)	(18,713,529)
SENDOUT VOLUME IN MCF	74,797	138,941	221,182	330,258	360,800	313,655	256,546	154,439	83,489	67,679	63,822	65,634	2,121,223
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	
PRICE \$/DKT	7.267	7.302	8.293	8.847	8.836	8.807	8.815	8.624	8.158	7.961	8.051	8.107	
GAS USED FOR UTILITY	(128,139)	(179,490)	(445,173)	(786,160)	(1,153,860)	(1,023,421)	(861,140)	(564,230)	(278,917)	(189,420)	(169,498)	(161,857)	(6,931,305)
<b>NATURAL GAS TO STORAGE</b>	<b>20,239,289</b>	<b>12,069,916</b>	<b>1,190,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,429,967</b>	<b>24,701,617</b>	<b>23,976,107</b>	<b>23,687,607</b>	<b>23,412,079</b>	<b>141,707,018</b>
FROM STORAGE PGW	-	4,676	8,371,279	33,878,965	40,586,928	34,088,364	24,780,207	-	-	-	-	-	141,710,419
<b>NET NATURAL GAS STORAGE</b>	<b>(20,239,289)</b>	<b>(12,069,939)</b>	<b>6,985,083</b>	<b>33,878,965</b>	<b>40,586,928</b>	<b>34,088,364</b>	<b>24,780,207</b>	<b>(12,429,967)</b>	<b>(24,701,617)</b>	<b>(23,976,107)</b>	<b>(23,687,607)</b>	<b>(23,412,079)</b>	<b>(197,057)</b>
<b>LNG TO STORAGE</b>	<b>1,219,722</b>	<b>2,032,768</b>	<b>2,808,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>753,882</b>	<b>1,375,109</b>	<b>2,212,307</b>	<b>668,237</b>	<b>-</b>	<b>-</b>	<b>11,070,965</b>
FROM LNG PGW	610,885	625,984	647,313	2,843,668	4,819,155	3,525,957	1,004,569	750,782	619,797	699,448	619,041	619,030	17,286,528
<b>NET LNG STORAGE</b>	<b>(608,837)</b>	<b>(1,405,784)</b>	<b>(2,163,288)</b>	<b>2,172,655</b>	<b>3,857,344</b>	<b>2,788,136</b>	<b>(72,643)</b>	<b>(655,769)</b>	<b>(1,592,510)</b>	<b>(68,789)</b>	<b>619,041</b>	<b>619,030</b>	<b>3,488,593</b>
<b>NET NATURAL GAS EXPENSE</b>	<b>16,934,190</b>	<b>28,818,980</b>	<b>53,934,667</b>	<b>88,853,027</b>	<b>102,686,255</b>	<b>88,967,107</b>	<b>70,927,178</b>	<b>39,321,528</b>	<b>23,514,326</b>	<b>16,827,358</b>	<b>17,197,401</b>	<b>17,202,443</b>	<b>565,184,480</b>
<b>APPLICABLE GCR EXPENSE</b>													
NET NATURAL GAS EXPENSE	16,934,190	28,818,980	53,934,667	88,853,027	102,686,255	88,967,107	70,927,178	39,321,528	23,514,326	16,827,358	17,197,401	17,202,443	565,184,460
PURCHASED ELECTRIC	74,000	84,000	86,000	94,000	118,000	103,000	102,000	81,000	78,000	68,000	72,000	84,000	1,034,000
<b>TOTAL APPLICABLE EXPENSES</b>	<b>17,008,190</b>	<b>28,902,980</b>	<b>54,020,667</b>	<b>88,947,027</b>	<b>102,804,255</b>	<b>89,070,107</b>	<b>71,029,178</b>	<b>39,402,528</b>	<b>23,592,326</b>	<b>16,885,358</b>	<b>17,269,401</b>	<b>17,286,443</b>	<b>566,218,458</b>
<b>TOTAL FIRM SALES</b>	<b>1,131,060</b>	<b>1,792,602</b>	<b>3,967,819</b>	<b>6,805,009</b>	<b>10,491,661</b>	<b>9,401,517</b>	<b>7,406,744</b>	<b>4,914,266</b>	<b>2,373,208</b>	<b>1,563,558</b>	<b>1,266,326</b>	<b>1,228,140</b>	<b>52,341,911</b>

**INTERRUPTIBLE REVENUE CREDIT**  
**FISCAL YEAR 2008**

Fiscal Year 2006 Reconciliation \$ (199,413) (Schedule 4b)

<u>MONTH</u>		<u>MARGIN</u>
September-06	Actual	\$ 894,803
October	Actual	\$ 639,723
November	Actual	\$ 701,998
December	Actual	\$ 548,712
January-07	Actual	\$ 797,009
February	Actual	\$ 1,191,020
March	Actual	\$ 746,231
April	Actual	\$ 502,955
May	Actual	\$ 523,500
June	Actual	\$ 183,900
July	Estimated	\$ 189,164
<u>August</u>	<u>Estimated</u>	<u>\$ 204,865</u>
Fiscal Year 2007 Margin	Act/Est	\$ 7,123,879

FY 2007 Act/Est Margin and FY 2006 Reconciliation	\$ 6,924,466
Fiscal Year 2007 Actual Credit	\$ <u>7,609,476</u> (Schedule 7)
Reconciliation as of August 2007	\$ (685,010)

Fiscal Year 2005 Actual Margin	\$ 10,334,606
Fiscal Year 2006 Actual Margin	\$ 5,982,878 (Schedule 4b)
<u>Fiscal Year 2007 Act/Est Margin</u>	<u>\$ 7,123,879</u>
3 Year Average - FY 2008 Estimated Margin	\$ 7,813,788
Reconciliation as of August 2007	\$ <u>(685,010)</u>
Fiscal Year 2008 Interruptible Revenue Credit	\$ 7,128,778

Fiscal Year 2008 Firm Sales 52,341,911

Fiscal Year 2008 IRC Credit \$ 0.1362

**INTERRUPTIBLE REVENUE CREDIT**  
**FISCAL YEAR 2006 - FINALIZED RECONCILIATION**

Fiscal Year 2005 Reconciliation \$ 2,927,506

<u>MONTH</u>	<u>MARGIN</u>
September-05	Actual \$ \$ 197,677
October	Actual \$ \$ 298,804
November	Actual \$ \$ 668,343
December	Actual \$ \$ 1,092,867
January-06	Actual \$ \$ 1,416,964
February	Actual \$ \$ 371,854
March	Actual \$ \$ 399,135
April	Actual \$ \$ 567,950
May	Actual \$ \$ 355,657
June	Actual \$ \$ 293,292
July	Actual \$ \$ 143,796
<u>August</u>	Actual \$ \$ 176,539
Fiscal Year 2006 Margin	Actual \$ 5,982,878

FY 2006 Actual Margin and FY 2005 Reconciliation	\$ 8,910,384
Fiscal Year 2006 Actual Credit	\$ <u>9,109,796</u>
Reconciliation as of August 2006	\$ (199,413)

**CALENDAR YEAR 2006  
PHILADELPHIA GAS WORKS  
INTEREST RATE CALCULATION**

	Split Month 01/01/2006		Split Month 07/01/2006		Split Month 12/01/2006		Split Month 01/01/2007			
SSC in Effect	\$	13.1190	\$	12.3988	\$	11.6786	\$	11.2496	\$	10.8207
GAC in Effect	\$	(0.3598)	\$	0.0764	\$	(0.2069)	\$	0.0136	\$	0.2341
IRC in Effect	\$	(0.1960)	\$	(0.2060)	\$	(0.2159)	\$	(0.1794)	\$	(0.1429)
<b>Total Effective</b>	\$	<b>12.5632</b>	\$	<b>12.2693</b>	\$	<b>11.2558</b>	\$	<b>11.0838</b>	\$	<b>10.9119</b>

MONTH	NET COST	FIRM	C FACTOR	C FACTOR	ADJUSTMENT	ADJUSTED	OVER/	INTEREST
	OF FUEL	SALES	RECOVERY	REVENUES	FOR ACTUAL	C FACTOR	(UNDER)	
	(1)	(2)	(3)	(4)=(2)*(3)	(5)	(6)=(4)*(5)	(7)=(6)-(1)	(8)
	(\$)		(\$)	(\$)		(\$)	(\$)	
JANUARY 2006	95,464,674	8,099,883	13.1190	106,262,197	0.9997	106,228,605	10,763,931	
FEBRUARY	91,242,555	7,578,910	13.1190	99,427,564	0.9994	99,370,705	8,128,150	
MARCH	71,601,995	7,174,333	13.1190	94,119,924	0.9998	94,098,107	22,496,112	
APRIL	28,012,400	4,131,863	13.1190	54,205,822	0.9953	53,949,840	25,937,440	
MAY	16,029,235	2,021,163	13.1190	26,515,592	1.0141	26,890,033	10,860,798	
JUNE	17,789,076	1,510,585	12.3988	18,729,408	0.9902	18,545,950	756,874	
JULY	13,516,388	1,248,614	11.6786	14,582,040	0.9968	14,535,527	1,019,139	
AUGUST	14,356,355	1,115,682	11.6786	13,029,589	0.9914	12,917,597	(1,438,758)	
SEPTEMBER	14,913,479	1,189,490	11.6786	13,891,558	0.9984	13,869,793	(1,043,686)	
OCTOBER	27,000,627	1,690,460	11.6786	19,742,183	0.9987	19,716,053	(7,284,574)	
NOVEMBER	39,228,787	3,607,178	11.6786	42,126,729	1.0002	42,133,816	2,905,029	
DECEMBER	68,599,816	5,325,945	11.2496	59,914,924	0.9973	59,751,100	(8,848,716)	
	497,755,387	44,694,105		562,547,530		562,007,126	64,251,739	8%

**FISCAL YEAR 2007  
PHILADELPHIA GAS WORKS  
INTEREST CALCULATION**

	Split Month		Split Month		Split Month		
	09/01/2006	12/01/2006	01/01/2007	03/01/2007	04/01/2007	06/01/2007	07/01/2007
SSC in Effect	\$ 11.6786	\$ 11.2496	\$ 10.8207	\$ 10.7437	\$ 10.6668	\$ 11.0493	\$ 11.4318
GAC in Effect	\$ (0.2069)	\$ 0.0136	\$ 0.2341	\$ 0.0731	\$ (0.0878)	\$ (0.3257)	\$ (0.6637)
IRC in Effect	\$ (0.2159)	\$ (0.1794)	\$ (0.1429)	\$ (0.1440)	\$ (0.1452)	\$ (0.1441)	\$ (0.1430)
<b>Total Effective</b>	<b>\$ 11.2558</b>	<b>\$ 11.0838</b>	<b>\$ 10.9119</b>	<b>\$ 10.6728</b>	<b>\$ 10.4338</b>	<b>\$ 10.5795</b>	<b>\$ 10.7261</b>

Month	NET COST OF FUEL (1) (\$)	FIRM SALES (2)	C FACTOR RECOVERY RATE (3) (\$)	C FACTOR REVENUES BILLED (4)=(2)*(3) (\$)	ADJUSTMENT FOR ACTUAL REVENUE (5)	ADJUSTED	OVER/ (UNDER) RECOVERY (7)=(6)-(1) (\$)	INTEREST RATE (1) (8)	TIME FACTOR (9)	INTEREST EXPENSE (10)=(7)*(8)*(9) (\$)	INTEREST ON REFUNDS (2) 11 (\$)	TOTAL INTEREST 12= (10 + 11) (\$)
						C FACTOR REVENUES BILLED (6)=(4)*(5) (\$)						
SEPTEMBER 2006	14,913,479	1,189,490	11.6786	13,891,558	0.998	13,869,793	(1,043,686)	8%	18/12	(125,242)	0	(125,242)
OCTOBER	26,852,663	1,690,460	11.6786	19,742,183	0.999	19,716,053	(7,136,610)	8%	17/12	(808,816)	8,586	(800,229)
NOVEMBER	39,228,787	3,607,178	11.6786	42,126,729	1.000	42,133,816	2,905,029	8%	16/12	309,870	0	309,870
DECEMBER	68,599,816	5,325,945	11.2496	59,914,924	0.997	59,751,100	(8,848,716)	8%	15/12	(884,872)	0	(884,872)
JANUARY 2007	81,979,492	6,923,635	10.8207	74,918,450	1.000	74,932,634	(7,046,858)	6%	14/12	(493,280)	0	(493,280)
FEBRUARY	101,961,779	9,965,002	10.8207	107,828,109	1.000	107,820,140	5,858,361	6%	13/12	380,793	10,414	391,208
MARCH	68,095,395	8,026,777	10.7437	86,237,608	0.997	85,942,199	17,846,804	6%	12/12	1,070,808	0	1,070,808
APRIL	44,312,071	5,203,029	10.6668	55,499,670	1.000	55,517,737	11,205,666	6%	11/12	616,312	2,968	619,279
MAY	19,584,823	2,477,760	10.6668	26,429,770	1.000	26,418,713	6,833,890	6%	10/12	341,694	0	341,694
JUNE	14,850,035	1,345,857	11.0493	14,870,766	0.997	14,828,282	(21,753)	6%	9/12	(979)	4	(975)
JULY	16,512,943	1,329,069	11.4318	15,193,621	0.999	15,184,640	(1,328,303)	6%	8/12	(53,132)	0	(53,132)
AUGUST	16,178,803	1,290,501	11.4318	14,752,726	0.999	14,744,465	(1,434,338)	6%	7/12	(50,202)	0	(50,202)
<b>Total</b>	<b>513,070,086</b>	<b>48,374,702</b>		<b>531,406,114</b>		<b>530,859,574</b>	<b>17,789,488</b>			<b>302,955</b>	<b>21,972</b>	<b>324,927</b>
Interest from Schedule 5b1												<u>3,112,353</u>
<b>Total Interest</b>												<b>3,437,281</b>

(1) See Schedule 5a

(2) See Schedule 5c

**CALENDAR YEAR 2006  
PHILADELPHIA GAS WORKS  
INTEREST ADJUSTMENT CALCULATION**

	Split Month		
	01/01/2006	06/01/2006	07/01/2006
SSC in Effect	\$ 13.1190	\$ 12.3988	\$ 11.6786
GAC in Effect	\$ (0.3598)	\$ 0.0764	\$ (0.2069)
IRC in Effect	\$ (0.1960)	\$ (0.2060)	\$ (0.2159)
<b>Total Effective</b>	<b>\$ 12.5632</b>	<b>\$ 12.2693</b>	<b>\$ 11.2558</b>

<u>MONTH</u>	NET COST OF FUEL (1) (\$)	FIRM SALES (2)	C FACTOR RECOVERY RATE (3) (\$)	C FACTOR REVENUES BILLED (4)=(2)*(3) (\$)	ADJUSTMENT FOR ACTUAL REVENUE (5)	ADJUSTED	OVER/ (UNDER) RECOVERY (7)=(6)-(1) (\$)	INTEREST RATE <sup>(1)</sup> (8)	TIME FACTOR (9)	INTEREST EXPENSE (10)=(7)*(8)*(9) (\$)
						C FACTOR REVENUES BILLED (6)=(4)*(5) (\$)				
JANUARY 2006	95,464,674	8,099,883	13.1190	106,262,197	0.9997	106,228,605	10,763,931	2%	26/12	466,437
FEBRUARY	91,242,555	7,578,910	13.1190	99,427,564	0.9994	99,370,705	8,128,150	2%	25/12	338,673
MARCH	71,601,995	7,174,333	13.1190	94,119,924	0.9998	94,098,107	22,496,112	2%	24/12	899,844
APRIL	28,012,400	4,131,863	13.1190	54,205,822	0.9953	53,949,840	25,937,440	2%	23/12	994,269
MAY	16,029,235	2,021,163	13.1190	26,515,592	1.0141	26,890,033	10,860,798	2%	22/12	398,229
JUNE	17,789,076	1,510,585	12.3988	18,729,408	0.9902	18,545,950	756,874	2%	21/12	26,491
JULY	13,516,388	1,248,614	11.6786	14,582,040	0.9968	14,535,527	1,019,139	2%	20/12	33,971
AUGUST	14,356,355	1,115,682	11.6786	13,029,589	0.9914	12,917,597	(1,438,758)	2%	19/12	(45,561)
	348,012,678	32,881,032		426,872,135		426,536,364	78,523,686			3,112,353

(1) Interest is calculated at 8% (See Schedule 5a) and was previously paid at 6%

**FISCAL YEAR 2007  
PHILADELPHIA GAS WORKS  
INTEREST ON NATURAL GAS REFUNDS**

<u>MONTH</u>	NATURAL GAS REFUNDS (9) (\$)	INTEREST RATE (10)	TIME FACTOR (11)	INTEREST ON REFUNDS (13)=(9)*(10)*(11) (\$)
SEPTEMBER 06	0	6%	18/12	0
OCTOBER	101,017	6%	17/12	8,586
NOVEMBER	0	6%	16/12	0
DECEMBER	0	6%	15/12	0
JANUARY 07	0	6%	14/12	0
FEBRUARY	160,220	6%	13/12	10,414
MARCH	0	6%	12/12	0
APRIL	53,959	6%	11/12	2,968
MAY	0	6%	10/12	0
JUNE	83	6%	9/12	4
JULY	0	6%	8/12	0
AUGUST	<u>0</u>	6%	7/12	<u>0</u>
<b>TOTAL</b>	<u>315,278</u>			<u>21,972</u>

**FISCAL YEAR 2007  
PHILADELPHIA GAS WORKS  
DEMAND AND COMMODITY INTEREST CALCULATION**

MONTH	(1)					(2)				
	OVER/ (UNDER)	DEMAND CHARGE OVER/(UNDER)	COMMODITY CHARGE OVER/(UNDER)	INTEREST RATE	TIME FACTOR	DEMAND INTEREST EXPENSE	COMMODITY INTEREST EXPENSE	TOTAL INTEREST EXPENSE	INTEREST ON REFUNDS	TOTAL INTEREST
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(2)*(4)*(5)	(7)=(3)*(4)*(5)	(8)=(6)+(7)	(9)	(10)=(8)+(9)
	(\$)	(\$)	(\$)			(\$)	(\$)	(\$)	(\$)	(\$)
SEPTEMBER 2006	(1,043,686)	(2,853,123)	1,809,437	8%	18/12	(342,375)	217,132	(125,242)	0	(125,242)
OCTOBER	(7,136,610)	(2,762,423)	(4,374,187)	8%	17/12	(313,075)	(495,741)	(808,816)	8,586	(800,229)
NOVEMBER	2,905,029	(194,113)	3,099,143	8%	16/12	(20,705)	330,575	309,870	0	309,870
DECEMBER	(8,848,716)	953,959	(9,802,675)	8%	15/12	95,396	(980,267)	(884,872)	0	(884,872)
JANUARY 2007	(7,046,858)	3,118,287	(10,165,145)	6%	14/12	218,280	(711,560)	(493,280)	0	(493,280)
FEBRUARY	5,858,361	6,739,224	(880,863)	6%	13/12	438,050	(57,256)	380,793	10,414	391,208
MARCH	17,846,804	6,115,717	11,731,087	6%	12/12	366,943	703,865	1,070,808	0	1,070,808
APRIL	11,205,666	2,627,423	8,578,243	6%	11/12	144,508	471,803	616,312	2,968	619,279
MAY	6,833,890	(2,069,191)	8,903,081	6%	10/12	(103,460)	445,154	341,694	0	341,694
JUNE	(21,753)	(3,144,327)	3,122,574	6%	9/12	(141,495)	140,516	(979)	4	(975)
JULY	(1,328,303)	(3,640,981)	2,312,679	6%	8/12	(145,639)	92,507	(53,132)	0	(53,132)
AUGUST	(1,434,338)	(3,691,510)	2,257,172	6%	7/12	(129,203)	79,001	(50,202)	0	(50,202)
<b>Total</b>	<b>17,789,488</b>	<b>1,198,942</b>	<b>16,590,546</b>			<b>67,226</b>	<b>235,729</b>	<b>302,955</b>	<b>21,972</b>	<b>324,927</b>

(1) See Schedule 5b

(2) See Schedule 5c

**GCR**  
**STATEMENT OF RECONCILIATION**  
**SEPTEMBER 2007 THROUGH AUGUST 2008**

		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	E FACTOR DISTRIBUTED ON GCR	CUMULATIVE OVER/(UNDER) RECOVERY
		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
AUGUST 2007 OVER-COLLECTION												25,801,588	
MIGRATION CHARGE & SSPC REVENUE RECONCILIATION												<u>284,537</u>	
INTEREST												26,086,125	
TOTAL "E" FACTOR												<u>3,437,281</u>	
												29,523,406	
<b>2007-2008</b>													
SEPTEMBER	Estimated	5,207,122	11,801,068	17,008,190	1,131,060	0.1362	154,046	16,854,144	10.4180	11,783,328	(5,070,816)	637,973	24,452,591
OCTOBER	Estimated	5,189,062	23,713,918	28,902,980	1,792,602	0.1362	244,146	28,658,834	10.1108	18,124,643	(10,534,191)	1,011,116	13,918,399
NOVEMBER	Estimated	5,841,054	48,179,613	54,020,667	3,967,819	0.1362	540,402	53,480,265	10.1108	40,117,824	(13,362,441)	2,238,045	555,959
DECEMBER	Estimated	5,886,365	83,060,662	88,947,027	6,805,009	0.1362	926,817	88,020,210	10.1108	68,804,089	(19,216,120)	3,838,359	(18,660,161)
JANUARY	Estimated	5,890,562	96,913,693	102,804,255	10,491,661	0.1362	1,428,927	101,375,328	10.1108	106,079,084	4,703,757	5,917,812	(13,956,405)
FEBRUARY	Estimated	5,896,843	83,173,264	89,070,107	9,401,517	0.1362	1,280,452	87,789,654	10.1108	95,056,855	7,267,201	5,302,917	(6,689,204)
MARCH	Estimated	5,886,364	65,142,814	71,029,178	7,406,744	0.1362	1,008,771	70,020,407	10.1108	74,888,109	4,867,703	4,177,767	(1,821,501)
APRIL	Estimated	5,260,355	34,142,173	39,402,528	4,914,266	0.1362	669,305	38,733,223	10.1108	49,687,161	10,953,938	2,771,887	9,132,437
MAY	Estimated	5,214,309	18,378,016	23,592,325	2,373,208	0.1362	323,222	23,269,103	10.1108	23,995,033	725,930	1,338,606	9,858,368
JUNE	Estimated	5,231,555	11,653,803	16,885,358	1,563,558	0.1362	212,951	16,672,407	10.1108	15,808,823	(863,584)	881,923	8,994,784
JULY	Estimated	5,214,309	12,055,092	17,269,401	1,266,326	0.1362	172,469	17,096,932	10.1108	12,803,568	(4,293,364)	714,270	4,701,420
AUGUST	Estimated	<u>5,213,512</u>	<u>12,072,931</u>	<u>17,286,443</u>	<u>1,228,140</u>	0.1362	<u>167,268</u>	<u>17,119,175</u>	10.1108	<u>12,417,480</u>	<u>(4,701,695)</u>	<u>692,731</u>	<u>(275)</u>
TOTAL		65,931,413	500,287,046	566,218,458	52,341,911		7,128,778	559,089,680		529,565,999	(29,523,681)	29,523,406	(275)

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2006 THROUGH AUGUST 2007

		1	2	3 = (1 + 2)	4	5	6 = (4 * 6)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	NATURAL GAS REFUNDS	CUMULATIVE OVER/(UNDER) RECOVERY
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2006-2006 OVER-COLLECTION													8,419,934
2005-2006 INTEREST													(1,414,333)
TOTAL "E" FACTOR													7,006,601
SEPTEMBER 2006	Actual	4,340,031	10,673,448	14,913,479	1,189,490	0.2159	256,811	14,666,668	11.2558	13,367,732	(1,288,936)	0	5,716,666
OCTOBER	Actual	4,876,078	21,976,686	26,852,663	1,690,460	0.2159	364,970	26,487,693	11.2558	19,002,368	(7,486,325)	101,017	(1,667,643)
NOVEMBER	Actual	4,711,060	34,517,727	39,228,787	3,607,178	0.2159	778,790	38,449,997	11.2558	40,608,649	2,158,652	0	481,009
DECEMBER	Actual	5,554,078	63,045,738	68,599,816	6,325,945	0.1794	955,475	67,644,341	11.0839	58,870,672	(8,773,669)	0	(8,282,660)
JANUARY 2007	Actual	6,181,953	76,797,539	81,979,492	6,923,636	0.1429	989,387	80,990,105	10.9119	75,664,317	(5,425,788)	0	(13,708,448)
FEBRUARY	Actual	6,203,944	96,757,836	101,961,779	9,965,002	0.1429	1,423,999	100,537,780	10.9119	108,729,065	8,191,285	160,220	(5,366,943)
MARCH	Actual	5,194,066	62,901,329	68,095,396	8,026,777	0.1441	1,156,257	66,939,138	10.6729	86,375,124	18,436,986	0	13,079,043
APRIL	Actual	5,851,591	38,460,480	44,312,071	5,203,029	0.1452	756,480	43,556,591	10.4338	54,306,037	10,748,446	53,959	23,881,447
MAY	Actual	6,104,021	13,480,802	19,584,823	2,477,760	0.1452	359,771	19,225,052	10.4338	25,841,636	6,616,584	0	30,498,031
JUNE	Actual	5,195,794	9,654,241	14,850,035	1,345,857	0.1441	193,938	14,666,097	10.6796	14,197,750	(468,347)	83	30,039,767
JULY	Estimated	5,538,036	10,974,908	16,512,943	1,329,069	0.1430	190,057	16,322,886	10.7251	14,245,967	(2,076,919)	0	27,962,848
AUGUST	Estimated	5,633,671	10,645,232	16,178,803	1,290,601	0.1430	184,542	15,994,261	10.7251	13,833,002	(2,161,259)	0	26,801,688
Total		63,284,222	449,785,864	513,070,086	48,374,702		7,609,476	606,460,610		523,941,319	18,480,711	315,278	26,801,688

RECONCILIATION OF DEMAND CHARGES

		1	2	3	4 = (2 * 3)	5	6	7 = (6 - 1)	8
		DEMAND CHARGES	FIRM SALES	DEMAND CHARGE IN EFFECT	DEMAND CHARGES BILLED	ADJUSTMENT FOR ACTUAL REVENUE	ADJUSTED C FACTOR REVENUES BILLED	MONTHLY DEMAND OVER/(UNDER)	CUMULATIVE DEMAND OVER/(UNDER)
		\$	\$	\$	\$	\$	\$	\$	\$
SEPTEMBER 2006	Actual	4,340,031	1,189,490	1.2520	1,489,241	0.998	1,486,908	(2,853,123)	(2,853,123)
OCTOBER	Actual	4,876,078	1,690,460	1.2520	2,116,466	0.999	2,113,656	(2,762,423)	(5,615,546)
NOVEMBER	Actual	4,711,060	3,607,178	1.2520	4,516,187	1.000	4,616,947	(194,113)	(5,809,659)
DECEMBER	Actual	5,554,078	5,325,945	1.2253	6,525,880	0.997	6,508,037	963,959	(4,855,700)
JANUARY 2007	Actual	6,181,953	6,923,636	1.1986	8,298,669	1.000	8,300,240	3,118,287	(1,737,413)
FEBRUARY	Actual	6,203,944	9,965,002	1.1986	11,944,051	1.000	11,943,168	6,739,224	5,001,811
MARCH	Actual	5,194,066	8,026,777	1.4139	11,348,668	0.997	11,309,783	6,116,717	11,117,528
APRIL	Actual	5,851,591	5,203,029	1.6291	8,476,256	1.000	8,479,014	2,627,423	13,744,951
MAY	Actual	6,104,021	2,477,760	1.6291	4,036,519	1.000	4,034,830	(2,069,191)	11,675,760
JUNE	Actual	5,195,794	1,345,857	1.6287	2,057,344	0.997	2,051,467	(3,144,327)	8,531,433
JULY	Estimated	5,538,036	1,329,069	1.4282	1,898,176	0.999	1,897,054	(3,640,981)	4,890,452
AUGUST	Estimated	5,633,671	1,290,601	1.4282	1,843,094	0.999	1,842,061	(3,691,510)	1,198,942

**CALCULATION OF RECOVERED CHARGES**

**4th QUARTER FILING**

**SEPTEMBER 2007 - AUGUST 2008**

	<u>50% of SEPT.</u>	<u>11.5 Months</u>	<u>Total</u>
			(MCF)                  (\$)
Firm Sales (MCF)	565,530	51,776,381	52,341,911
GCR (\$/Mcf)	\$ 10.7251	\$ 10.1108	
<b>Total Projected Recovery</b>	<b>\$ 6,065,366</b>	<b>\$ 523,500,633</b>	<b>\$ 529,565,999</b>

## Change In Rates 4th Quarter Filing

Rates Effective September 1, 2007

### Distribution Charge

	<u>Delivery Charge</u>			<u>Surcharges</u>			<u>Total Distribution Charge / Mcf</u>
	<u>Base Charge</u>	<u>Revenue Realignment Adjustment</u>	<u>Sub-Total Delivery Charge</u>	<u>Restructuring &amp; Consumer Education</u>	<u>Universal Service &amp; Ener. Cons.</u>	<u>Sub-Total Surcharges</u>	
Residential GS/PHAGS	\$4.1223	\$0.0901	\$4.2124	\$0.0232	\$2.3171	\$2.3403	\$6.5527
Commercial GS/MUNGS	\$4.2155	\$0.0901	\$4.3056	\$0.0232	\$2.3171	\$2.3403	\$6.6459
Industrial GS	\$4.2128	\$0.0901	\$4.3029	\$0.0232	\$2.3171	\$2.3403	\$6.6432
Phila.Housing Authority (PHA)	\$4.2051	\$0.0901	\$4.2952	\$0.0232	\$2.3171	\$2.3403	\$6.6355
Municipal (MS)	\$3.0569	\$0.0901	\$3.1470	\$0.0232	\$2.3171	\$2.3403	\$5.4873

### Proposed Rates

	<u>6/1/07 Distribution Charge</u> (4)	<u>6/1/07 GCR</u> (2)	<u>6/1/07 Commodity Rate</u> (3)=(1)+(2)	<u>9/1/07 Distribution Charge</u> (4)	<u>9/1/07 GCR</u> (5)	<u>9/1/07 Commodity Rate</u> (6)=(4)+(5)	<u>Decrease</u> (7)=(6)-(3)
Residential GS/PHAGS	\$6.9310	\$10.7251	\$17.6561	\$6.5527	\$10.1108	\$16.6635	(\$0.9926)
Commercial GS/MUNGS	\$7.0242	\$10.7251	\$17.7493	\$6.6459	\$10.1108	\$16.7567	(\$0.9926)
Industrial GS	\$7.0215	\$10.7251	\$17.7466	\$6.6432	\$10.1108	\$16.7540	(\$0.9926)
Phila.Housing Authority (PHA)	\$7.0138	\$10.7251	\$17.7389	\$6.6355	\$10.1108	\$16.7463	(\$0.9926)
Municipal (MS)	\$5.8656	\$10.7251	\$16.5907	\$5.4873	\$10.1108	\$15.5981	(\$0.9926)

\* Excludes Customer Charge

**Philadelphia Gas Works**  
**September 1, 2007**  
**UNIVERSAL SERVICE & ENERGY CONSERVATION SURCHARGE**

	<u>Expenses in the Surcharge</u>
Conservation Works Program (CWP)	2,335,000
Customer Responsibility Program (CRP) Discount	91,760,779
Senior Citizen Discount	11,835,133 *
August 2007 Under Collection	<u>17,296,690</u>
Total \$ to be Recovered	\$ 123,227,602
Total Applicable Volumes	Mcf 53,182,773
<b>Universal Service &amp; Energy Conservation Surcharge</b>	<b>\$ 2.3171</b>

\* This is the Senior Citizen Discount on the Delivery Charge, GCR and Restructuring Surcharge which is used to calculate the Universal Services Surcharge. The total Senior Citizen Discount is \$13,557,821.

**STATEMENT OF RECONCILIATION**  
**UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE**  
**SEPTEMBER 2006 THROUGH AUGUST 2007**

Month	Applicable Volumes	USC Charge	USC Revenue Billed	USC Expenses	Monthly Over/(Under) Recovery	Cumulative Over/(Under) Recovery	
<b>FY 06 Reconciliation</b>						(\$27,049,360)	
September 2006	Actual	1,174,632	\$ 2,7508	\$ 3,231,178	\$ (669,367)	\$ 3,900,545	(\$23,148,816)
October	Actual	1,667,262	\$ 2,7508	\$ 4,586,304	\$ 1,435,436	\$ 3,150,868	(\$19,997,947)
November	Actual	3,549,981	\$ 2,7508	\$ 9,765,288	\$ 8,949,781	\$ 815,507	(\$19,182,441)
December	Actual	5,274,639	\$ 2,5731	\$ 13,572,174	\$ 15,576,973	\$ (2,004,799)	(\$21,187,240)
January 2007	Actual	6,878,732	\$ 2,3954	\$ 16,477,315	\$ 20,912,092	\$ (4,434,777)	(\$25,622,017)
February	Actual	9,907,449	\$ 2,3954	\$ 23,732,303	\$ 27,906,650	\$ (4,174,347)	(\$29,796,364)
March	Actual	7,988,851	\$ 2,5374	\$ 20,270,511	\$ 22,767,659	\$ (2,497,148)	(\$32,293,512)
April	Actual	5,192,491	\$ 2,6793	\$ 13,912,241	\$ 13,956,185	\$ (43,924)	(\$32,337,436)
May	Actual	2,510,554	\$ 2,6793	\$ 6,726,527	\$ 4,140,324	\$ 2,586,204	(\$29,751,232)
June	Actual	1,384,663	\$ 2,6659	\$ 3,691,304	\$ (251,469)	\$ 3,942,772	(\$25,808,460)
July	Estimated	1,360,750	\$ 2,6524	\$ 3,609,253	\$ (829,567)	\$ 4,438,820	(\$21,369,640)
August	Estimated	1,321,892	\$ 2,6524	\$ 3,506,186	\$ (566,763)	\$ 4,072,949	(\$17,296,690)

<u>USC Expenses</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Total</u>
Conservation Works	\$ 10,824	\$ 185,932	\$ 178,810	\$ 176,751	\$ 118,141	\$ 175,573	\$ 258,056	\$ 81,694	\$ 148,308	\$ 232,320	\$ 316,796	\$ 316,795	\$ 2,200,000
CRP Discount	\$ (1,847,895)	\$ (89,495)	\$ 6,784,945	\$ 12,918,987	\$ 17,736,572	\$ 24,147,043	\$ 19,405,170	\$ 11,623,641	\$ 2,435,447	\$ (1,635,231)	\$ (2,288,650)	\$ (2,085,638)	\$ 87,105,096
CRP Forgiveness	\$ 779,997	\$ 802,371	\$ 789,561	\$ 719,351	\$ 815,287	\$ 735,169	\$ 844,015	\$ 738,944	\$ 839,485	\$ 771,381	\$ 777,426	\$ 847,000	\$ 9,459,987
Senior Citizen Discount	\$ 387,707	\$ 536,628	\$ 1,196,465	\$ 1,761,884	\$ 2,242,092	\$ 2,848,865	\$ 2,260,418	\$ 1,511,686	\$ 717,084	\$ 380,062	\$ 364,861	\$ 355,080	\$ 14,562,831
	\$ (669,367)	\$ 1,435,436	\$ 8,949,781	\$ 15,576,973	\$ 20,912,092	\$ 27,906,650	\$ 22,767,659	\$ 13,956,165	\$ 4,140,324	\$ (251,469)	\$ (829,567)	\$ (566,763)	\$ 113,327,914

**RESTRUCTURING & CONSUMER EDUCATION SURCHARGE  
FISCAL YEAR 2008**

<u>Month</u>		<u>Firm Volumes</u>	<u>Restructuring &amp; Consumer Education Surcharge</u>	<u>Revenue Billed</u>
FY 2006 Undercollection				\$ (646,674) (Schedule 11b)
September 2006	Actual	1,189,490	\$0.0717	\$ 85,227
October	Actual	1,690,691	\$0.0662	\$ 111,924
November	Actual	3,608,906	\$0.0662	\$ 238,910
December	Actual	5,362,525	\$0.0662	\$ 354,999
January 2007	Actual	6,991,370	\$0.0662	\$ 462,829
February	Actual	10,066,693	\$0.0662	\$ 666,415
March	Actual	8,114,619	\$0.0662	\$ 537,188
April	Actual	5,274,020	\$0.0662	\$ 349,140
May	Actual	2,545,343	\$0.0662	\$ 168,502
June	Actual	1,399,987	\$0.0662	\$ 92,679
July	Estimated	1,375,447	\$0.0662	\$ 91,055
<u>August</u>	Estimated	<u>1,336,090</u>	\$0.0662	<u>\$ 88,449</u>
<b>Total</b>		<b>48,955,180</b>		<b>\$ 2,600,641</b>
FY 2007 R&CES Revenue Billed & FY 2006 Undercollection		\$ 2,600,641		
FY 2007 R&CES Expenses Through August 2007		<u>\$ 2,372,825</u>	(See Schedule 12)	
FY 2007 Over/(Under) Collection		\$ 227,816		
FY 2004 R&CES Expense Adjustment		<u>\$ 55,772</u>		
FY 2007 Under Collection		\$ 283,588		
FY 2008 Estimated Expenses		\$ 1,535,112	(See Schedule 12)	
FY 2007 Reconciliation		<u>\$ (283,588)</u>		
<u>FY 2008 Adjusted Expenses</u>		<u>1,251,524</u>		
FY 2008 Firm Volumes		53,925,321		
FY 2008 Restructuring Surcharge / Mcf		\$ 0.0232		

**RESTRUCTURING & CONSUMER EDUCATION SURCHARGE RECONCILIATION**  
**FISCAL YEAR 2006**

<u>Month</u>		<u>Firm Sales</u>	<u>Restructuring &amp; Consumer Education Surcharge</u>	<u>Revenue Billed</u>
<b>FY 2005 Undercollection</b>				\$ (459,287)
<b>September 2005</b>	Actual	1,287,763	\$0.0663	\$ 85,379
<b>October</b>	Actual	1,434,846	\$0.0771	\$ 110,627
<b>November</b>	Actual	3,344,254	\$0.0771	\$ 257,842
<b>December</b>	Actual	7,295,620	\$0.0771	\$ 562,492
<b>January 2006</b>	Actual	8,099,883	\$0.0771	\$ 624,501
<b>February</b>	Actual	7,578,910	\$0.0771	\$ 584,334
<b>March</b>	Actual	7,174,333	\$0.0771	\$ 553,141
<b>April</b>	Actual	4,131,863	\$0.0771	\$ 318,567
<b>May</b>	Actual	2,021,163	\$0.0771	\$ 155,832
<b>June</b>	Actual	1,510,585	\$0.0771	\$ 116,466
<b>July</b>	Actual	1,248,614	\$0.0771	\$ 96,268
<b><u>August</u></b>	Actual	<u>1,115,682</u>	\$0.0771	<u>\$ 86,019</u>
<b>Total</b>		46,243,515		\$ 3,092,180
<b>FY 2006 R&amp;CES Revenue Billed &amp; FY 2005 Undercollection</b>		<b>\$ 3,092,180</b>		
<b>FY 2006 R&amp;CES Expenses Through August 2006</b>		<b>\$ 3,738,854</b>	(See Schedule 12)	
<b>FY 2006 Over/(Under) Collection</b>		<b>\$ (646,674)</b>		

**PHILADELPHIA GAS WORKS  
RESTRUCTURING COSTS**

<u>General Start-Up Operating Costs</u>	<u>Actual Through 8/31/04</u>	<u>General Start-Up Capital Costs</u>	<u>Actual Through 8/31/04</u>	<u>FOI Integrated Solution Start Up Operating Costs</u>	<u>Actual 08/31/2004</u>	<u>8/31/05</u>	<u>8/31/06</u>	<u>08/31/2007</u>
Legal:		# 792082						
Wolf Block	382,171	Web Site Design / EBB	\$ 1,205,210.77	Costs To Replace Class C Meters With Rotary Meters	\$ 79,577.00	\$ 67,580.80	\$ 347,213.60	\$ -
Consulting:		# 787101		Renovation of Meter Shop	-	21,320.00	-	-
RJ Rudden	113,882	BCCS Phase 1 Gas Choice / Enhancements	1,810,940.43	Release 1 External Costs	-	-	-	-
Pinkerton	153,887	# 787102		<b>Total</b>	\$ 79,577.00	\$ 88,900.80	\$ 347,213.60	\$ -
Gil Peach	136,200	BCCS Phase 2 Gas Choice / Enhancements	2,332,501.77	<b>3 Year Amortization</b>	\$ 26,525.67	\$ 29,633.60	\$ 115,737.87	\$ -
Deloitte Consulting	28,171	# 787103						
New Energy	194,853	BCCS PUC Compliance/ Deregulation	216,343.66	<u>FOI Integrated Solution Start Up Capital Costs</u>	<u>08/31/2004</u>	<u>08/31/2005</u>	<u>08/31/2006</u>	<u>08/31/2007</u>
Accenture	1,864,156			Release 1 External Costs	\$ 43,023	\$ -	\$ -	\$ -
EPOS Corp.	23,600			Release 1 Infrastructure Costs	\$ 6,000	\$ -	\$ -	\$ -
<b>Total</b>	<b>2,896,921</b>			Desktop Computers	\$ -	\$ 7,000	\$ -	\$ -
Advertising:	64,052			<b>Total</b>	\$ 49,023	\$ 7,000	\$ -	\$ -
PGW Training				<b>5 Year Amortization</b>	\$ 9,805	\$ 1,400	\$ -	\$ -
Incremental Labor	171,119							
Customer Education & Postage	131,864			<u>FOI Integrated Solution General Capital Costs</u>	<u>08/31/2004</u>	<u>08/31/2005</u>	<u>08/31/2006</u>	<u>08/31/2007</u>
Miscellaneous:	6,626			Purch. Repl. Rotary Meters	\$ 254,235	\$ 776,680	\$ 668,342	\$ -
Safety Training/Operator Qualification Costs 02-03	872,000			Renovation of Meter Shop	\$ -	\$ 738,441	\$ 514,000	\$ -
Total	<u>4,142,582</u>	<b>Total</b>	<b>\$ 5,564,996.63</b>	<b>Total</b>	\$ 254,235	\$ 1,515,121	\$ 1,182,342	\$ -
3 Year Amortization	1,380,861	<b>5 Year Amortization</b>	<b>\$ 1,112,999.33</b>	<b>10 Year Amortization</b>	\$ 25,424	\$ 151,512	\$ 118,234	\$ -
<u>Restructuring Surcharge Costs</u>				<u>Ongoing Costs</u>	<u>08/31/2004</u>	<u>08/31/2005</u>	<u>08/31/2006</u>	<u>08/31/2007</u>
FY 2004	3,380,621			Office Based Infrastructure Costs	\$ -	\$ -	\$ -	\$ -
FY 2005	3,757,659			Payroll Office Based Workers	\$ -	\$ -	\$ -	\$ -
FY 2006	3,738,854			Shop Based Infrastructure Costs	\$ -	\$ -	\$ -	\$ -
FY 2007	2,372,825			Leak Survey	\$ 499,260	\$ 427,559	\$ 401,454	\$ 427,416
FY 2008	1,535,112			Safety Trng / Operator Qualification	\$ 325,747	\$ -	\$ -	\$ -
FY 2009	296,570			Safety Trng / Operator Qualification	-	\$ 591,940	\$ 365,269	\$ 380,684
FY 2010	295,170			<b>Total Same Year Recovery</b>	\$ 825,007	\$ 1,019,499	\$ 766,723	\$ 808,080
FY 2011	295,170							
FY 2012	295,170							
FY 2013	295,170							
FY 2014	269,746							
FY 2015	118,234							

**Natural Gas Prices Used In PGW's 3rd Quarter GCR Filing**  
**September 1, 2007**

	GLOBAL INSIGHT(GI) PRICES										Basis Differentials								NYMEX Futures 8/1/07 Close	Prices Used For Gas Cost Inputs										
	Transco			TETCO				Average ELA/ETX	M-1	August 2007 Henry Hub	Transco			TETCO				Average ELA/ETX		M-1	Transco			TETCO						
	Sta.30	Sta. 45	Sta. 65	ELA	WLA	ETX	STX				Sta 30	Sta 45	Sta 65	ELA	WLA	ETX	STX				Sta 30	Sta 45	Sta 65	ELA	WLA	ETX	STX	ELA/ETX	M-1	
2007:08																														
2007:09	6.52	6.73	6.92	6.75	6.70	6.51	6.48	6.63	6.99	6.73	(0.21)	-	0.19	0.02	(0.03)	(0.22)	(0.25)	(0.10)	0.26	6.362	ACTUAL	5.98	6.12	6.21	6.05	6.01	5.83	5.84	5.94	6.30
2007:10	5.83	6.08	6.26	6.09	6.04	5.83	5.80	5.96	6.32	6.07	(0.24)	0.01	0.19	0.02	(0.03)	(0.24)	(0.27)	(0.11)	0.25	6.564	NYMEX	6.14	6.35	6.54	6.37	6.32	6.13	6.10	6.25	6.61
2007:11	8.35	8.44	8.65	8.48	8.47	8.26	8.26	8.37	8.78	8.48	(0.13)	(0.04)	0.17	-	(0.01)	(0.22)	(0.22)	(0.11)	0.30	7.484	NYMEX	7.35	7.44	7.65	7.48	7.47	7.26	7.26	7.37	7.78
2007:12	8.93	9.19	9.38	9.15	9.14	8.86	8.85	9.01	9.50	9.16	(0.23)	0.03	0.22	(0.01)	(0.02)	(0.30)	(0.31)	(0.16)	0.34	8.369	Global-Ins./	8.53	8.79	8.98	8.75	8.74	8.46	8.45	8.61	9.10
2008:01	8.30	8.55	8.70	8.49	8.48	8.20	8.23	8.35	8.74	8.60	(0.20)	0.05	0.20	(0.01)	(0.02)	(0.30)	(0.27)	(0.16)	0.24	8.764	Global-Ins./	8.43	8.68	8.83	8.62	8.61	8.33	8.36	8.48	8.97
2008:02	8.14	8.32	8.48	8.26	8.24	8.01	8.07	8.14	8.51	8.27	(0.13)	0.05	0.21	(0.01)	(0.03)	(0.26)	(0.20)	(0.14)	0.24	8.782	Global-Ins./	8.40	8.58	8.74	8.52	8.50	8.27	8.33	8.39	8.77
2008:03	8.44	8.52	8.64	8.48	8.45	8.31	8.36	8.40	8.72	8.53	(0.09)	(0.01)	0.11	(0.05)	(0.08)	(0.22)	(0.17)	(0.14)	0.19	8.622	Global-Ins./	8.49	8.57	8.69	8.53	8.50	8.36	8.41	8.44	8.77
2008:04	7.86	8.15	8.18	8.05	7.98	7.81	7.83	7.93	8.24	8.08	(0.22)	0.07	0.10	(0.03)	(0.10)	(0.27)	(0.25)	(0.15)	0.16	8.047	Global-Ins./	7.84	8.13	8.16	8.03	7.96	7.79	7.81	7.91	8.22
2008:05	7.48	7.69	7.78	7.64	7.58	7.44	7.45	7.54	7.80	7.67	(0.19)	0.02	0.11	(0.03)	(0.09)	(0.23)	(0.22)	(0.13)	0.13	8.024	Global-Ins./	7.66	7.87	7.96	7.82	7.76	7.62	7.63	7.72	7.98
2008:06	7.20	7.40	7.46	7.34	7.29	7.15	7.18	7.25	7.52	7.36	(0.15)	0.05	0.11	(0.01)	(0.06)	(0.20)	(0.17)	(0.11)	0.17	8.119	Global-Ins./	7.58	7.79	7.84	7.72	7.67	7.53	7.56	7.63	7.90
2008:07	7.26	7.45	7.53	7.42	7.36	7.22	7.24	7.32	7.60	7.42	(0.16)	0.03	0.11	-	(0.06)	(0.20)	(0.18)	(0.10)	0.18	8.222	Global-Ins./	7.66	7.85	7.93	7.82	7.76	7.62	7.64	7.72	8.00
2008:08	7.30	7.49	7.57	7.47	7.42	7.26	7.28	7.37	7.65	7.46	(0.16)	0.03	0.11	0.01	(0.04)	(0.20)	(0.18)	(0.09)	0.19	8.296	Global-Ins./	7.72	7.91	7.99	7.89	7.84	7.68	7.70	7.78	8.07

Actual Natural Gas Billed

	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>
Williams	\$ 2,680,676	\$ 2,782,409	\$ 2,504,970
Texas Eastern	\$ 2,222,737	\$ 2,171,643	\$ 1,705,170
Dominion	\$ 129,173	\$ 131,167	\$ 128,887
Equitrans	\$ 37,207	\$ 37,599	\$ 37,445
Spot Purchases -Transco	\$ 2,652,812	\$ 852,533	\$ 176,885
Spot Purchases -Tetco	\$ 116,006	\$ -	\$ -
Transco Supply1	\$ -	\$ -	\$ -
Transco Supply2	\$ 8,113,789	\$ 7,995,693	\$ 5,469,977
Transco Supply3	\$ 4,510,800	\$ 4,633,384	\$ 4,637,100
Transco Supply4	\$ -	\$ -	\$ -
Transco Supply5	\$ -	\$ -	\$ -
Transco Supply6	\$ 242,440	\$ 391,200	\$ 1,684,900
Transco Supply7	\$ 1,323,825	\$ 3,617,390	\$ 3,498,600
Transco Supply8	\$ 3,712,847	\$ 5,023,180	\$ 4,626,000
Transco Supply9	\$ -	\$ -	\$ -
Transco Supply10	\$ 3,241,520	\$ 2,377,855	\$ 2,340,750
Transco Supply11	\$ -	\$ -	\$ -
Transco Supply12	\$ 1,135,950	\$ 1,166,065	\$ 1,152,750
Transco Supply13	\$ -	\$ -	\$ -
Transco Supply14	\$ -	\$ -	\$ -
Transco Supply15	\$ -	\$ -	\$ -
Transco Supply16	\$ -	\$ -	\$ -
Transco Supply17	\$ -	\$ -	\$ -
Transco Supply18	\$ -	\$ -	\$ -
Transco Supply19	\$ -	\$ 1,190,865	\$ 1,164,900
Tetco Supply1	\$ 686,505	\$ 2,455,778	\$ 1,422,802
Tetco Supply2	\$ -	\$ -	\$ -
Tetco Supply3	\$ 639,318	\$ -	\$ -
Tetco Supply4	\$ -	\$ -	\$ -
Tetco Supply5	\$ -	\$ -	\$ -
Tetco Supply6	\$ -	\$ -	\$ -
Tetco Supply7	\$ 2,228,700	\$ 2,250,755	\$ 2,274,750
Tetco Supply8	\$ -	\$ -	\$ -
Tetco Supply9	\$ -	\$ -	\$ -
Tetco Supply10	\$ -	\$ -	\$ -
Tetco Supply11	\$ -	\$ -	\$ -
Tetco Supply12	\$ -	\$ -	\$ -
Tetco Supply13	\$ 394,997	\$ -	\$ -
Tetco Supply14	\$ 2,259,900	\$ 2,319,730	\$ 2,331,000
Tetco Supply15	\$ -	\$ -	\$ -
<u>Tetco Supply16</u>	<u>\$ 461,675</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Costs</b>	<b>\$ 36,790,876</b>	<b>\$ 39,397,246</b>	<b>\$ 35,156,885</b>
Off System Sales	\$ -	\$ -	\$ -
Gas Transportation Purchases	\$ 22,696	\$ 9,450	\$ 22,532
Adjustment/Reconciliation	\$ 471,224	\$ 244,763	\$ 27,724
<b>Total Natural Gas Billed</b>	<b>\$ 37,284,796</b>	<b>\$ 39,651,459</b>	<b>\$ 35,207,141</b>

**Philadelphia Gas Works  
Summary of Fuels Purchased  
Three Months Ending June 2007**

	<u>Actual</u>				<u>Projected</u>			<u>Actual Over/Under vs Projected</u>				
	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Total</u>	<u>3rd Qtr Filing Apr-07</u>	<u>3rd Qtr Filing May-07</u>	<u>3rd Qtr Filing Jun-07</u>	<u>Total</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Total</u>
<b>Total Natural Gas Billed</b>	\$ 37,284,796	\$ 39,651,459	\$ 35,207,141	\$ 112,143,396	\$ 34,033,181	\$ 44,805,443	\$ 36,605,842	\$ 115,444,466	\$ 3,251,616	\$ (5,153,984)	\$ (1,398,701)	\$ (3,301,070)
<b>Less Interruptible Credit Gas Used For Utility</b>	\$ 1,382,992	\$ 1,921,323	\$ 1,203,874	\$ 4,508,189	\$ 1,542,808	\$ 773,948	\$ 488,041	\$ 2,804,797	\$ (159,816)	\$ 1,147,375	\$ 715,833	\$ 1,703,392
	\$ <u>768,201</u>	\$ <u>241,920</u>	\$ <u>46,240</u>	\$ <u>1,056,361</u>	\$ <u>384,700</u>	\$ <u>300,397</u>	\$ <u>266,046</u>	\$ <u>951,143</u>	\$ <u>383,501</u>	\$ <u>(58,477)</u>	\$ <u>(219,806)</u>	\$ <u>105,218</u>
	35,133,603	37,488,216	33,957,027	\$ 106,578,846	\$ 32,105,673	43,731,098	35,851,755	\$ 111,688,526	3,027,931	(6,242,882)	(1,894,728)	\$ (5,109,680)
<b>Pipeline Storages</b>												
(To)	\$ (5,437,240)	\$ (16,166,512)	\$ (18,419,476)	\$ (40,023,228)	\$ (4,708,681)	\$ (18,936,955)	\$ (19,372,635)	\$ (43,018,271)	\$ (728,559)	\$ 2,770,443	\$ 953,159	\$ 2,995,045
From	\$ 15,178,608	\$ 184,559	\$ -	\$ 15,363,167	\$ 14,646,044	\$ -	\$ -	\$ 14,646,044	\$ 532,564	\$ 184,559	\$ -	\$ 717,127
<b>Net Pipeline Storages</b>	\$ 9,741,368	\$ (15,981,953)	\$ (18,419,476)	\$ (24,660,061)	\$ 9,937,363	\$ (18,936,955)	\$ (19,372,635)	\$ (28,372,227)	\$ (195,995)	\$ 2,955,002	\$ 953,159	\$ 3,712,166
<b>LNG Storage</b>												
(To)	\$ (1,403,762)	\$ (2,632,813)	\$ (1,304,179)	\$ (5,340,754)	\$ (1,400,713)	\$ (2,183,664)	\$ (647,185)	\$ (4,231,562)	\$ (3,049)	\$ (448,149)	\$ (658,994)	\$ (1,109,192)
From	\$ 694,712	\$ 634,419	\$ 542,425	\$ 1,871,556	\$ 626,091	\$ 652,731	\$ 630,355	\$ 1,909,147	\$ 68,652	\$ (18,312)	\$ (87,930)	\$ (37,591)
<b>Net LNG Storage</b>	\$ (709,050)	\$ (1,998,394)	\$ (761,754)	\$ (3,469,198)	\$ (774,653)	\$ (1,530,933)	\$ (16,829)	\$ (2,322,414)	\$ 65,603	\$ (467,461)	\$ (744,925)	\$ (1,146,784)
<b>Net Natural Gas</b>	\$ 44,165,921	\$ 19,507,869	\$ 14,775,797	\$ 78,449,587	\$ 41,268,383	\$ 23,263,210.80	\$ 16,462,291	\$ 80,993,885	\$ 2,897,538	\$ (3,755,342)	\$ (1,686,494)	\$ (2,544,298)
<b>APPLICABLE GCR EXPENSES</b>												
<b>Net Natural Gas Expense</b>	\$ 44,165,921	\$ 19,507,869	\$ 14,775,797	\$ 78,449,587	\$ 41,268,383	\$ 23,263,211	\$ 16,462,291	\$ 80,993,885	\$ 2,897,538	\$ (3,755,342)	\$ (1,686,494)	\$ (2,544,298)
<b>Electric</b>	\$ 146,150	\$ 76,954	\$ 74,238	\$ 297,342	\$ 130,500	\$ 110,500	\$ 99,500	\$ 340,500	\$ 15,650	\$ (33,546)	\$ (25,262)	\$ (43,158)
<b>Total GCR Expenses</b>	\$ 44,312,071	\$ 19,584,823	\$ 14,850,035	\$ 78,746,929	\$ 41,398,883	\$ 23,373,711	\$ 16,561,790	\$ 81,334,385	\$ 2,913,188	\$ (3,788,888)	\$ (1,711,756)	\$ (2,587,456)



**PHILADELPHIA GAS WORKS**  
**GAS SERVICE TARIFF**



Issued by: Thomas Knudsen  
President and CEO

PHILADELPHIA GAS WORKS  
800 West Montgomery Avenue  
Philadelphia, PA 19122

List of Changes Made by this Tariff Supplement

**GAS COST RATE (GCR) – SECTION 1307f, II DEFINITIONS (PAGE No. 67)**

In the definition of "IRC," the "IRC" value effective September 1, 2007 decreases from \$0.01430 per Ccf to \$0.01361 per Ccf.

In the definition of "SSC," the "SSC" value effective September 1, 2007 decreases from \$1.14318 per Ccf to \$1.08106 per Ccf.

**GAS COST RATE (GCR) – SECTION 1307f, III COMPUTATION OF GAS COST RATE (Page No. 68)**

The Gas Cost Rate (GCR) effective September 1, 2007 decreases from \$1.07251 per Ccf to \$1.01108 per Ccf.

**RESTRUCTURING AND CONSUMER EDUCATION SURCHARGE (PAGE No. 79)**

The Restructuring and Consumer Education Surcharge effective September 1, 2007 decreases from \$0.00662 per Ccf to \$0.00232 per Ccf.

**UNIVERSAL SERVICE CHARGE (PAGE No. 81)**

The Universal Services Charge effective September 1, 2007 decreases from \$0.26524 per Ccf to \$0.23171 per Ccf.

**GENERAL SERVICE – RATE GS (Page No. 83)**

The GCR for Residential, Commercial, and Industrial Services decreases from \$1.07251 per Ccf to \$1.01108 per Ccf, effective September 1, 2007.

**MUNICIPAL SERVICE – RATE MS (Page No. 87)**

The GCR for Municipal Service decreases from \$1.07251 per Ccf to \$1.01108 per Ccf, effective September 1, 2007.

**PHILADELPHIA HOUSING AUTHORITY SERVICE – RATE PHA (Page No. 90)**

The GCR for Philadelphia Housing Authority Service decreases from \$1.07251 per Ccf to \$1.01108 per Ccf, effective September 1, 2007.

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**GAS COST RATE (GCR) -- SECTION 1307(f)**

**I. PROVISION FOR ADJUSTMENT**

The Gas Cost Rate shall be applied to each Mcf (1,000 cubic feet) for Firm Retail Sales Service Gas supplied under Rates Schedules GS, MS, PHA, and NGVS-Firm, except for Gas usage under the Special Provisions – Air Conditioning of those rates calculated in a manner set forth below, pursuant to 66 Pa.C.S. §1307(f). Such rates for Firm Sales Service Gas may be increased or decreased from time to time under the procedures set forth in Section II.B. below to reflect changes in the level of Gas costs incurred or projected to be incurred by PGW related to Sales Service.

**II. DEFINITIONS**

C - The current cost of Natural Gas and other raw materials determined as follows: (a) for all types of Gas, project the cost for each purchase (adjusted for net current Gas stored) for the computation year plus (b) the of (1) the projected book value of non-current Gas at the beginning of the computation year minus (2) the projected book value of non-current Gas at the end of the computation year. In addition to any cost authorized by the Commission, the cost of Natural Gas may include any item included in the definition of Natural Gas costs set forth in 66 Pa.C.S. § 1307(h) ("Definition"). The Factor "C" includes two components -- Commodity Costs and Demand Costs which are defined as follows: Commodity Costs - the actual cost of natural gas and purchased electric for firm customers that does not include the fixed costs associated with the transportation and storage of natural gas; and Demand Costs - the fixed costs associated with the transportation and storage of natural gas for firm customers.

Computation Year - The 12-month forecast period as identified in the Company's annual 1307 (f) filing and each quarterly GCR filing.

E - Experienced net over billing (or under billing) of the cost of Natural Gas and other raw materials applicable to the GCR reported in the most recent Section 1307(f) proceeding. Such over billings (or under billings) will be made with interest at the rate and method set forth by the Pennsylvania Public Utility Commission. Additionally, supplier refunds received prior to the end of the August billing period will be included in the Factor "E." The Factor "E" includes two components -- Commodity Costs and Demand Costs which are defined above in the Factor "C" definition.

Firm Sales Service - The service provided to Customers who receive firm supply service from PGW. The term does not include the service provided to Customers who receive interruptible supply service from PGW.

GAC - The "E" factor component of the GCR, representing the net overcollection or undercollection of Natural Gas and other raw materials costs. The currently effective GAC is \$(0.05866) per Ccf for Commodity Costs and \$0.00229 per Ccf for Demand Costs, for service on or after September 1, 2007. The total Gac is \$(0.05637) per Ccf.

GCR - Gas Cost Rate determined to the nearest one-hundredth cent (\$0.0001) to be applied to each Mcf of Gas supplied under Rates GS, MS, PHA, and NGVS-Firm, except for Gas usage under the Special Provisions – Air Conditioning of those rates and is equal to the SSC plus the GAC minus the IRC.

IRC - Interruptible Revenue Credit - The credit defined in Subsection VI below. The currently effective IRC is \$0.01361 per Ccf for service on or after September 1, 2007. (D)

Natural Gas or Gas - The volumes of gas purchased or manufactured by the Company that is delivered to the Company's Customers, plus such portion of the Company-used and unaccounted-for gas as the Commission permits, including, but not limited to, natural gas, liquefied natural gas, synthetic gas,

**(D) – Decrease**

liquefied propane and naphtha.

S - Projected applicable Mcf of Gas to be billed to Customers during the computation year.

SSC-Sales Service Charge - The purchased Gas costs determined to the nearest  $\frac{1}{100}$  of a cent (\$0.0001). The currently effective SSC is \$0.93499 per Ccf for Commodity Costs and \$0.14607 per Ccf for Demand Costs, for service on or after September 1, 2007. The total SSC is \$1.08106 per Ccf.

(D)  
↓

**(D) – Decrease**

III. COMPUTATION OF GAS COST RATE

A. The GCR shall be computed to the nearest one-thousandth cent (\$0.00001) in accordance with the formula set forth below as the terms are defined in Section II:

$$\begin{aligned} \text{SSC} &= \text{C/S} \\ \text{GAC} &= \text{E/S} \\ \text{GCR} &= \text{SSC} + \text{GAC} - \text{IRC} \end{aligned}$$

B. Each Gas Cost Rate so computed shall be applied to Customers' bills for twelve monthly billing periods commencing with September.

The currently effective Gas Cost Rate is \$1.01108 per Ccf, for service on or after September 1, 2007. (D)

IV. REPORTING REQUIREMENTS

A. The Company's rates are subject to quarterly adjustments for recovery of the Gas Cost Rate under procedures set forth in Section 1307 (f) of the Public Utility Code.

B. The filing of the Company's annual Section 1307(f) filing, annual Gas Cost Rate, effective during the billing period of September through August, shall be submitted to the Commission by March 1 of each year, with a February 1 pre-filing date.

C. The application of the Gas Cost Rate shall be subject to review and audit by the Commission at such intervals as the Commission shall determine.

D. If it shall be determined, from audit by the Commission, or by final order entered after notice and hearing, that the application of this clause has resulted in the overcollection or undercollection of revenues, then the Company shall apply such over/undercollection as a credit or debit against future Gas Cost Rates.

V. PROVISION FOR INCLUSION OF SPECIFIC NON-GAS EXPENSES

The computation of the Gas Cost Rate may include such Non-Gas expenses as may be authorized by this tariff and annually authorized by the Commission.

VI. INTERRUPTIBLE REVENUE CREDIT (IRC)

A. The GCR rate shall be credited with an Interruptible Revenue Credit (IRC) equal to the margin realized from interruptible sales under PGW's Interruptible Sales Tariff Rates: BPS, LBS; and CG (Total Margin Revenue).

B. The IRC shall be set each year in the Company's 1307(f) proceeding to reflect the Total Margin Revenue. The rate per Mcf shall be calculated by dividing the Total Margin Revenue by total applicable firm sales. For the period September 1, 2003 through August 31, 2004 the IRC shall be initially set to reflect the Total Margin Revenue authorized by the Commission in its final order at M-00021612 (entered March 31, 2003).

(D) - Decrease

## RESTRUCTURING AND CONSUMER EDUCATION SURCHARGE

Non-Gas restructuring and consumer education costs will be recovered by a Restructuring and Consumer Education Surcharge applicable to all volumes of Gas delivered.

1. Computation of the Restructuring and Consumer Education Surcharge factors will be in accordance with the automatic adjustment procedures utilized under Section 1307 of the Public Utility Code and will be filed and approved in conjunction with the Company's annual Section 1307(f)-GCR filing.
2. Restructuring and Consumer Education costs recovered through the Surcharge mechanism are the Commission approved costs which the Company has or will incur to meet the requirements of the Natural Choice and Competition Act and applicable Commission regulations, orders and other regulatory requirements, other than those costs pertaining to universal service and energy conservation programs.
3. Once the surcharge is in place, PGW shall file reconciliation statements quarterly and shall submit a claim for over/under recovery on an annual basis, at the same time it submits its projected Restructuring costs and Restructuring Surcharge claim for the next year; provided however, that if a project for which costs were included in the Restructuring Surcharge is cancelled or delayed beyond the year in which the cost was originally scheduled to be incurred, the Company will withdraw the projected costs of that project from the Restructuring Surcharge in its next quarterly update. No interest will be included in such surcharge computations. The basic component of the surcharge will be determined by dividing the restructuring and consumer education costs approved for annual recovery by the estimated applicable throughput in Mcf.
4. The Restructuring and Consumer Education Surcharge shall remain in effect until restructuring and consumer education costs have been collected or as otherwise directed by the Commission.
5. The Restructuring and Consumer Education Surcharge is effective on and after September 1, 2007.

Current Restructuring and Consumer Education Surcharge = \$ 0.00232/Ccf

(D)

(D) – Decrease

## UNIVERSAL SERVICE AND ENERGY CONSERVATION SURCHARGE

Universal service and energy conservation program and related costs will be recovered by a Universal Service and Energy Conservation Surcharge applicable to all volumes of Gas delivered.

1. The Surcharge will recover: 1) the discounts provided to Customers pursuant to the Customer Responsibility Program (CRP); 2) the discounts provided to Customers pursuant to the Senior Citizen Discount; 3) the costs of the Conservation Works Program (CWP); and, 4) for Customers entering the CRP program on or after September 1, 2003, past due arrearages forgiven pursuant to paragraph A (6) of the CRP/CAP Program Design Stipulation approved by the Commission by its order at M-00021612 (entered March 31, 2003).
2. Computation of the Universal Service and Energy Conservation Surcharge factors will be in accordance with the automatic adjustment procedures utilized under Section 1307(f) of the Public Utility Code and will be filed and approved in conjunction with the Company's annual Section 1307(f)-GCR filing.
3. Once the surcharge is in place it will be automatically adjusted effective March 1, June 1, September 1, and December 1 of each year in accordance with Section 1307(f) quarterly adjustment procedures. No interest will be included in such surcharge computations. The basic component of the surcharge will be determined by dividing the total universal service and energy conservation program costs approved for annual recovery by the estimated applicable throughput in Mcfs.
4. The Universal Service and Energy Conservation Surcharge shall take effect upon the effective date of this Tariff.

Current Universal Service and Energy Conservation Surcharge = \$ 0.23171/Ccf.

(D)

(D) - Decrease

**GENERAL SERVICE - RATE GS**

Rate: Applicable to all Retail Sales Service or Transportation Service rendered pursuant to this Rate Schedule on or after September 1, 2007

AVAILABILITY

Available for any purpose where the Company's distribution mains adjacent to the proposed Gas Service location are, or can economically be made, suitable to supply the quantities of Gas or Transportation Services required.

RATES

CUSTOMER CHARGE (per Meter (except parallel meters)):

\$ 12.00 per month for Residential and Public Housing Authority Customers.  
\$ 18.00 per month for Commercial and Municipal Customers  
\$ 50.00 per month for Industrial Customers

Plus,

GCR (not applicable to GS Customers who transport gas through a qualified NGS):

\$ 1.01108 per Ccf for Residential and Public Housing (D)  
\$ 1.01108 per Ccf for Commercial and Municipal Customers (D)  
\$ 1.01108 per Ccf for Industrial Customers (D)

Plus,

DISTRIBUTION CHARGE (consisting of items (A) and (B), below):

(A) Delivery Charge:

\$0.42124 per Ccf for Residential and Public Housing  
\$0.43056 per Ccf for Commercial and Municipal Customers  
\$0.43029 per Ccf for Industrial Customers

(B) Surcharges:

Universal Service and Energy Conservation Surcharge; and Restructuring and Consumer Education Surcharge.

(D) - Decrease

**MUNICIPAL SERVICE - RATE MS**

Rate: Applicable to all Retail Sales Service or Transportation Service rendered pursuant to this Rate Schedule on or after September 1, 2007.

AVAILABILITY

Available to properties owned or occupied by the City of Philadelphia or the Board of Education, or any of their respective agencies or instrumentalities, for any type of Gas Service, unless purchased for resale to others, and where the Company's distribution mains adjacent to the proposed Gas Service locations are, or can economically be made, suitable to supply the quantities of Gas required; provided, however, that the rate shall not be available to Commercial Tenants of any such property.

RATES

CUSTOMER

CHARGE (per Meter (except parallel meters):

\$ 18.00 per month

Plus,

GCR (not applicable to MS Customers who transport Gas through a qualified NGS):

\$1.01108 per Ccf (D)

Plus,

DISTRIBUTION CHARGE (consisting of items (A) and (B), below):

(A) Delivery Charge:

\$0.31470 per Ccf

(B) Surcharges:

Universal Service and Energy Conservation Surcharge; and The Restructuring and Consumer Education Surcharge.

Also,

The following Riders may apply:

(D) - Decrease

**PHILADELPHIA HOUSING AUTHORITY SERVICE - RATE PHA**

Rate: Applicable to all Retail Sales Service or Transportation Services rendered pursuant to this Rate Schedule on or after September 1, 2007

AVAILABILITY

Available for all Gas usage in multiple dwelling Residential buildings containing 10 or more dwelling units, owned and operated by the Philadelphia Housing Authority, where cooking shall be performed exclusively with Gas and where Gas Service shall be supplied through one or more single point metering arrangements at locations where the Company's distribution mains adjacent to the proposed Gas Service locations are, or can economically be made, suitable to supply the quantities of Gas required.

This rate is also available for all Gas usage in single and multiple dwelling Residential buildings, containing less than 10 dwelling units, provided, and only so long as, Gas is used exclusively for cooking, water heating and space heating for all such Residential buildings owned and operated by the Philadelphia Housing Authority, except (a) buildings operated by the Philadelphia Housing Authority, prior to the original effective date of this rate (January 1, 1969), and (b) buildings for which, in the judgment of the Company, such Gas Service cannot be provided economically.

RATES

CUSTOMER

CHARGE (per Meter (except parallel meters);

\$18.00 per month

Plus,

GCR (not applicable to PHA customers who transport gas through a qualified NGS):

\$ 1.01108 per Ccf (D)

Plus

DISTRIBUTION CHARGE:

DISTRIBUTION CHARGE (consisting of item (A) and (B), below):

(A) Delivery Charge:

\$0 .42952 per Ccf

(B) Surcharges:

Universal Service and Energy Conversation Surcharge; and The Restructuring and Consumer Education Surcharge.

(D) – Decrease

# PHILADELPHIA GAS WORKS

## GAS SUPPLIER TARIFF



Issued by: Thomas Knudsen  
President and CEO  
PHILADELPHIA GAS WORKS  
800 West Montgomery Avenue  
Philadelphia, PA 19122

List of Changes Made by this Tariff

**9.14. LOAD BALANCING SURCHARGE, 9.14.A. (Page No. 39)**

The load balancing charge decreases from \$37.0276 per design day Mcf to \$37.0261 per design day Mcf.

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9.14. LOAD BALANCING CHARGE.

9.14.A. Suppliers for all gas delivered under Firm Transportation Rates, of this Suppliers Tariff shall be charged at \$ 37.0261 per design day Mcf that is fulfilled by PGW storage and peaking assets, for recovery of those costs for Balancing Service, calculated in the manner set forth in the Commission's Order at M-00021612 (entered March 31, 2003) and as set forth below. Such rate for Balancing Service shall be increased or decreased, from time to time, in accordance with applicable law and procedures.

(D)

9.14.B. Computation of Balancing Service Costs per Dth.

9.14.B.1. Formula. Balancing Service Costs, per design day Mcf, that is fulfilled by PGW storage and peaking assets, shall be computed to the nearest one-hundredth cent (\$0.0001) in accordance with the formula set forth below:

$$BSC = ((C - E) / (S))$$

Projected Balancing Service Costs, so computed, shall be charged to Suppliers of Firm Transportation Rates per Customer per design day Mcf that is fulfilled by PGW storage and peaking assets, for an enrollment month. The amount of those costs, per Mcf, will vary, if appropriate, based upon annual filings by the Company pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the PUC's regulations adopted pursuant thereto.

9.14.B.2. Definitions. In computing the Balancing Service Costs, per Dth, pursuant to the formula above, the following definitions shall apply:

"BSC" - Balancing Service Costs determined to the nearest one-hundredth cent (\$0.0001) to be charged to each design day Mcf that is fulfilled by PGW storage and peaking assets, under Rate Schedule Firm.

"C" - Cost in dollars: for all types of storage and related services, the fixed and variable costs for the projected period when rates will be in effect.

"E" - the net overcollection or undercollection of Balancing Service Costs.

The net overcollection or undercollection shall be determined for the most recent period permitted under law, which shall begin with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. The annual filing date shall be the date specified by the PUC for the Company's Section 1307(f) Tariff filing.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous Balancing Service Costs Rate. Interest shall be computed monthly at the rate as provided for in Section 1307(f) of the Public Utility Code from the month that the overcollection or undercollection occurs to the effective month such overcollection is refunded or undercollection is recouped. Such over billings (or under billings) will be made with interest at the statutory rate.

"S" - projected Mcf of storage gas/LNG to be delivered to Customers to meet design day needs during the projected period when rates will be in effect.

**(D) - Decrease**

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

**VIA FIRST CLASS MAIL**

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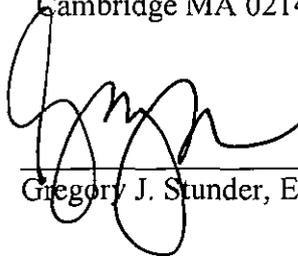
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Date: August 31, 2007

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**